

**REFUNDING/NEW ISSUE – Book-Entry-Only**

**Ratings: (See "Ratings" herein)**

*In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance with certain covenants and procedures relating to requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds and the Notes is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax. Interest on the Bonds may be includable in the calculation of certain taxes under the Code, including the federal alternative minimum tax imposed on certain corporations. Interest on the Notes is not taken into account in the calculation of adjusted current earnings for purposes of the federal alternative minimum tax imposed on corporations. In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds and the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. (See "Tax Matters" herein.)*



**CITY OF HARTFORD, CONNECTICUT**  
**\$12,150,000**  
**GENERAL OBLIGATION REFUNDING BONDS**  
**SERIES 2009**

**DAC Bond®**

**Dated: Date of Delivery**

**Due: November 15, as shown on inside cover page**

Interest on the City of Hartford, Connecticut (the "City") General Obligation Refunding Bonds Series 2009 (the "Bonds") will be payable November 15, 2009 and semiannually thereafter on May 15 and November of each year. The Bonds are issuable only as fully registered bonds, without coupons, and when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any multiple thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. So long as Cede & Co. is the Bondowner, as nominee for DTC, reference herein to the Bondowner or owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. See "Book-Entry-Only System" herein.

The Bonds will be general obligations of the City, and the City will pledge its full faith and credit to pay the principal of and interest on the Bonds when due. See "Security and Remedies" herein. The Bonds are **NOT** subject to redemption prior to maturity.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Corp. ("Assured Guaranty").



SEE INSIDE FRONT COVER FOR MATURITY SCHEDULE, INTEREST RATES AND PRICES OR YIELDS

**\$5,000,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES, SERIES 2009B**

**Dated: Date of Delivery**

**Due: April 15, 2010**

**Rate: 2.250%**

**Yield: 0.550%**

**CUSIP: 4164146H8**

The Bond Anticipation Notes (the "BANS") will be issued in book-entry-only form and will bear interest at such rates or rates per annum as shown above. The BANS will be registered in the name of Cede & Co., as Noteowner and nominee for DTC, New York, New York.

The BANS will be general obligations of the City, and the City will pledge its full faith and credit to pay the principal of and interest on the BANS when due. See "Security and Remedies" herein.

**\$35,000,000 GENERAL OBLIGATION GRANT ANTICIPATION NOTES, SERIES 2009**

**Dated: Date of Delivery**

**Due: April 15, 2010**

**Rate: 2.000%**

**Yield: 0.550%**

**CUSIP: 4164146J4**

The Grant Anticipation Notes (the "GANS" and together with the BANS, the "Notes") will be issued in book-entry-only form and will bear interest at such rates or rates per annum as shown above. The GANS will be registered in the name of Cede & Co., as Noteowner and nominee for DTC, New York, New York.

The GANS will be general obligations of the City and the City will pledge its full faith and credit to pay the principal of and interest on the GANS when due. See "Security and Remedies" herein.

The Bonds and the Notes are offered for delivery when, as and if issued, and received by the Underwriters, subject to the final approving opinion of Robinson & Cole LLP, Bond Counsel, of Hartford, Connecticut. Certain matters will be passed upon for the Underwriters by Pullman & Comley, LLC of Hartford, Connecticut. It is expected that delivery of the Bonds and the Notes in definitive form will be made on or about September 30, 2009 through the facilities of DTC.

**This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.**

**William Blair & Company**  
**Siebert Brandford Shank & Co., LLC**

Dated as of September 22, 2009



**CITY OF HARTFORD, CONNECTICUT**  
**\$12,150,000**  
**GENERAL OBLIGATION REFUNDING BONDS**  
**SERIES 2009**

**Dated: Date of Delivery**

**Due: November 15, as shown below**

| <u>Due</u> | <u>Amount</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>CUSIP Number</u> |
|------------|---------------|----------------------|--------------|---------------------|
| 11/15/2010 | \$1,435,000   | 2.000%               | 0.820%       | 416414 5Y2          |
| 11/15/2011 | 1,390,000     | 2.000%               | 1.020%       | 416414 5Z9          |
| 11/15/2012 | 1,355,000     | 4.000%               | 1.340%       | 416414 6A3          |
| 11/15/2013 | 1,345,000     | 4.000%               | 1.630%       | 416414 6B1          |
| 11/15/2014 | 1,325,000     | 5.000%               | 1.940%       | 416414 6C9          |
| 11/15/2015 | 1,325,000     | 5.000%               | 2.190%       | 416414 6D7          |
| 11/15/2016 | 1,325,000     | 5.000%               | 2.420%       | 416414 6E5          |
| 11/15/2017 | 1,325,000     | 5.000%               | 2.660%       | 416414 6F2          |
| 11/15/2018 | 1,325,000     | 5.000%               | 2.840%       | 416414 6G0          |

No dealer, broker, salesman or other person has been authorized by the City or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering made hereby and, if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell nor the solicitation of an offer to buy, nor shall there be any sale of the Bonds and Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The Underwriter for the Bonds and Notes has reviewed the information in this Official Statement in accordance with and as part of its responsibility to investors under Federal securities laws as applied to the acts and circumstances of this transaction but the Underwriter does not guarantee the accuracy or completeness of such information and it makes no representation that it has independently verified the same.

The independent auditors for the City were not engaged to review this Official Statement. The independent auditors are not passing upon and do not assume responsibility for the accuracy or completeness of the financial information presented in this Official Statement (other than matters expressly set forth in Appendix A "Auditor's Report" herein) and they make no representation that they have independently verified the same.

Bond Counsel is not passing upon and does not assume responsibility for the accuracy or adequacy of the statements made in this Official Statement (other than matters expressly set forth as its opinion in Appendix B- "Form of Legal Opinions of Bond Counsel" herein) and it makes no representation that it has independently verified the same.

Where the constitution or statutes of the State of Connecticut are referred to, reference should be made to such constitution or statutes for a complete statement of the matters referred to herein. Any statements which are contained in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. All estimates and assumptions herein have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates or assumptions are correct or will be realized. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Bonds and Notes.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof or any earlier date as of which any information contained herein is given. This Official Statement is submitted in connection with the sale of the Bonds and Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

Assured Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "Bond Insurance" and "Exhibit D - Specimen Financial Guaranty Insurance Policy".

IN CONNECTION WITH THE OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AND NOTES OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE.

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## CITY OF HARTFORD, CONNECTICUT

### **\$12,150,000 GENERAL OBLIGATION REFUNDING BONDS, SERIES 2009; \$5,000,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES, SERIES 2009B; and \$35,000,000 GENERAL OBLIGATION GRANT ANTICIPATION NOTES, SERIES 2009;**

#### INTRODUCTION

This Official Statement, including the cover page and appendices, is provided for the purpose of presenting certain financial information and economic and demographic data relevant to the City of Hartford, Connecticut (the "City") in connection with the issuance and sale of its \$12,150,000 General Obligation Refunding Bonds, Series 2009 (the "Bonds"), \$5,000,000 General Obligation Bond Anticipation Notes, Series 2009B (the "BANS") and \$35,000,000 General Obligation Grant Anticipation Notes, Series 2009, (the "GANS") (herein collectively with the BANS, the "Notes").

The Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Bonds or the Notes. This Official Statement does not constitute an offer to sell the Bonds or the Notes in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, salesperson, or any other person has been authorized to give any information or make any representation, other than those contained herein, in connection with the offering of the Bonds or the Notes, and, if given or made, such information or representation must not be relied upon. Any statements made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any such opinion or estimate will be realized. No representation is made that past experience, as might be shown by financial or other information herein, will necessarily continue to be repeated in the future. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. All quotations and summaries and explanations of statutes, charters or other laws and acts and proceedings of the City contained herein do not purport to be complete, and are qualified in their entirety by reference to the original and all reference to the Bonds and the Notes and the proceedings of the City relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and the Notes and such proceedings, and reference is made to said laws for full and complete statements of their provisions.

U.S. Bank National Association, Hartford, Connecticut, will act as Certifying Agent, Registrar, Transfer Agent and Paying Agent for the Bonds and the Notes and Escrow Agent for the Bonds.

The independent auditors for the City are not passing upon and do not assume responsibility for the accuracy or completeness of the financial information presented in this Official Statement (other than matters expressly set forth in Appendix A - "Auditors' Section"), and they make no representation that they have independently verified the same. The auditors have not been asked for nor have they given their consent to include the financial statements in this Official Statement.

Bond Counsel is not passing upon and does not assume responsibility for the accuracy or adequacy of the statements made in this Official Statement (other than matters expressly set forth as its opinion), and it makes no representation that it has independently verified the same.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in the Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AND THE NOTES AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

## SECTION I - SECURITIES OFFERED

### Description of the Bonds

The Bonds will be dated the date of delivery and will bear interest at the rate or rates per annum shown on the inside cover of the Official Statement, payable on November 15, 2009 and semiannually thereafter on May 15 and November 15 in each year until maturity. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest is payable to the registered owner of the Bonds as of the close of business on the last business day of April and October in each year by check mailed to the registered owner; or so long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, by such other means as DTC, the Paying Agent, and the City shall agree. The Bonds will mature on November 15 in each of the years 2010-2018, both inclusive. The Bonds will be certified by U.S. Bank National Association, Hartford, Connecticut, which will also act as the Registrar, Transfer Agent, and Paying Agent.

### Authorization and Purpose

Authorization: The Bonds are being issued pursuant to Title 7 of the General Statutes of Connecticut, as amended (the "Connecticut General Statutes"), the Charter of the City, and a resolution adopted by the Common Council of the City on June 22, 2009 authorizing the issuance and sale of refunding bonds in an amount not to exceed \$20,000,000.

Purpose: The Bonds are being issued to currently refund all of the aggregate principal amount outstanding of the City's General Obligation Bonds issued on November 15, 1998 (the "Refunded Bonds") as shown under "Plan of Refunding" herein.

### Plan of Refunding

The Bonds are being issued to refund the Refunded Bonds. The refunding is contingent upon delivery of the Bonds

|            | <u>Dated Date</u> | <u>Maturity Date</u> | <u>Amount Outstanding</u> | <u>Interest Rate</u> | <u>Redemption Date</u> | <u>Redemption Price</u> |
|------------|-------------------|----------------------|---------------------------|----------------------|------------------------|-------------------------|
| 1998 Bonds | 11/15/1998        | 11/15/2010           | \$1,425,000               | 5.00%                | 11/15/2009             | 102%                    |
|            | 11/15/1998        | 11/15/2011           | 1,425,000                 | 4.40                 | 11/15/2009             | 102%                    |
|            | 11/15/1998        | 11/15/2012           | 1,425,000                 | 4.50                 | 11/15/2009             | 102%                    |
|            | 11/15/1998        | 11/15/2013           | 1,425,000                 | 5.00                 | 11/15/2009             | 102%                    |
|            | 11/15/1998        | 11/15/2014           | 1,425,000                 | 4.70                 | 11/15/2009             | 102%                    |
|            | 11/15/1998        | 11/15/2015           | 1,425,000                 | 4.70                 | 11/15/2009             | 102%                    |
|            | 11/15/1998        | 11/15/2016           | 1,425,000                 | 4.75                 | 11/15/2009             | 102%                    |
|            | 11/15/1998        | 11/15/2017           | 1,425,000                 | 4.75                 | 11/15/2009             | 102%                    |
|            | 11/15/1998        | 11/15/2018           | <u>1,425,000</u>          | 4.75                 | 11/15/2009             | 102%                    |
|            |                   |                      | \$12,825,000              |                      |                        |                         |

Upon delivery of the Bonds, a portion of the Bond proceeds will be deposited in an irrevocable trust fund (the "Escrow Deposit Fund") established with U.S. Bank National Association, as escrow agent (the "Escrow Agent") under an Escrow Agreement (the "Escrow Agreement") dated as of September 30, 2009, between the Escrow Agent and the City. The Escrow Agent will use such proceeds to purchase a portfolio of non-callable direct obligations of, or obligations guaranteed by, the government of the United States of America, including United States Treasury State and Local Government Series ("SLGS") securities, Federal National Mortgage Association ("FNMA") and Federal Home Loan Mortgage Corporation ("FHLMC") securities and any other securities permitted by Section 7-400 of the Connecticut General Statutes all of which shall not be callable or prepayable at the option of the issuer thereof (the "Escrow Securities"). All investment income on and the maturing principal of the Escrow Securities held in the Escrow Deposit Fund will be irrevocably deposited by the City for payment of the Refunded Bonds. The balance of the proceeds of the Bonds will be used to pay costs of issuance and the Underwriter's discount.

## Verification of Mathematical Computations

American Municipal Tax Exempt Compliance Corporation ("AMTEC"), West Hartford, Connecticut, will verify from the information provided to them the mathematical accuracy as of the date of the closing on the Bonds of the computations that the anticipated receipts from the Escrow Securities and cash deposits set forth in the Underwriter's schedules, will be sufficient to pay, when due, the principal, interest and applicable call premium, if any, payment requirements of the Refunded Bonds.

### Sources and Uses of Proceeds

Proceeds of the Bonds and the Notes will be applied as follows:

#### Sources:

|                                 |                   |
|---------------------------------|-------------------|
| Proceeds of the Bonds           | \$12,150,000.00   |
| Proceeds of the GANS            | 35,000,000.00     |
| Proceeds of the BANS            | 5,000,000.00      |
| Original Issue Premium/Discount | 1,689,350.75      |
| City Funds on Hand              | <u>140,000.00</u> |
| Total Sources                   | \$53,979,350.75   |

#### Uses:

|   |                   |
|---|-------------------|
| Deposit to Escrow Deposit Fund  | \$13,383,994.05   |
| Deposit to General Fund with further credit to various capital accounts | 40,000,000.00     |
| Additional proceeds from rounding and original issue premium            | 64,614.15         |
| Costs of Issuance <sup>1</sup>  | <u>530,742.55</u> |
| Total Uses  | \$53,979,350.75   |

1. Includes underwriter's discount and insurance premium.

### The GANS

The GANS will be issued as fully registered notes, will be dated the date of delivery and will be due and payable as to both principal and interest at maturity on April 15, 2010.

### The BANS

The BANS will be issued as fully registered notes, will be dated the date of delivery and will be due and payable as to both principal and interest at maturity on April 15, 2010.

### Description of the Notes

The Notes will bear interest at the rates or rates per annum set forth on the cover page hereof, and interest will be calculated on the basis of twelve 30-day months and a 360-day year. A book-entry system will be employed evidencing ownership of the Notes in principal amounts of \$1,000 or integral multiples thereof, with transfers of ownership effected on the records of DTC, and its participants pursuant to the rules and procedures established by DTC and its participants. The Notes are not subject to redemption prior to maturity. Principal and interest on the Notes will be payable at the principal office of U.S. Bank National Association, Hartford, Connecticut.

## **Authorization and Purpose**

The Notes are issued pursuant to Title 7 of the Connecticut General Statutes, the Charter of the City, and certain bond ordinances adopted by the Common Council of the City. The BANS are being issued to temporarily finance a portion of the \$5,311,037 appropriation and bond authorization for equipment, vehicles and technology projects approved by the Common Council on May 28, 2009. The GANS are being issued in anticipation of school construction grants to be received from the State of Connecticut (the "State") for Annie Fisher Magnet School, Hooker Magnet School, Capital Preparatory Magnet School and Richard Kinsella Magnet School (collectively the "School Projects").

## **State School Construction Grants**

Pursuant to Section 10-287i of the Connecticut General Statutes, the State will provide proportional progress payments for eligible construction expenses on projects approved after July 1, 1996. All of the projects being financed from the proceeds of the GANS are post July 1, 1996 projects. State grants are paid directly to the municipality after it submits its request for progress payments, and accordingly, the municipality will issue its bonds for the net share of project costs. The City's overall reimbursement rate is approximately 90% of eligible costs. The State generally retains a certain percentage of the grant payments pending final audit upon close-out of a project.

As of August 18, 2009, the City has appropriated \$793,280,000 for various school construction projects and has authorized bonds in the amount of \$347,613,500 for its local share. The City has issued school bonds in the amount of \$113,620,000 and has received grants for school projects totaling \$294,943,209, leaving a balance of \$97,981,909 authorized and unissued school bonds and approximately \$150,000,000 school grants expected to be paid in the future.

## **Security and Remedies**

The Bonds and the Notes will be general obligations of the City, and the City will pledge its full faith and credit to pay the principal of and interest on the Bonds and the Notes when due.

The GANS are being issued in anticipation of school construction grants to be received from the State. The State has provided the City with written commitments to pay 95% of eligible costs of the School Projects. It is anticipated that the City will receive grant payments in excess of \$35 million by April 15, 2010 and a total of \$66.9 million in grants for the School Projects by June 30, 2010. Should the grant funds not be received by the City prior to June 30, 2010, the City may refund the GANS with a new series of grant anticipation notes. Pursuant to the Connecticut General Statutes, the City must apply these grant funds first to the payment of principal and interest on the GANS.

Unless paid from other sources, the Bonds and the Notes are payable from general property tax revenues. The City has the power under Connecticut General Statutes to levy ad valorem taxes on all taxable property in the City without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. Under existing statutes, the State of Connecticut is obligated to pay the City a portion of the amount of tax revenue which the City would have received except for the limitation on its power to tax such dwelling houses.

Payment of the Bonds and the Notes is not limited to property tax revenues or any other revenue source, but certain other revenues of the City may be restricted as to use and therefore may not be available to pay debt service on the Bonds and the Notes.

There are no statutory provisions for priorities in the payment of general obligations of the City. There are no statutory provisions for a lien on any portion of the tax levy or other revenues to secure the Bonds and the Notes or judgments thereon, in priority to other claims.

The City is subject to suit on its general obligation Bonds and the Notes, and a court of competent jurisdiction has power in appropriate proceedings to render a judgment against the City. Courts of competent jurisdiction also have the power in appropriate proceedings to order payment of a judgment on such Bonds

and the Notes from funds lawfully available therefore or, in the absence thereof, to order the City to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising their discretion as to whether to enter such an order, the courts may take into account all relevant factors, including the current operating needs of the City and the availability and adequacy of other remedies.

Enforcement of a claim for payment of principal of or interest on such Bonds and the Notes would also be subject to the applicable provisions of federal bankruptcy laws as well as other bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion. Under the federal bankruptcy code, the City may seek relief only, among other requirements, if it is specifically authorized, in its capacity as a municipality or by name, to be a debtor under Chapter 9, Title 11 of the United States Code, or by state law or by a governmental officer or organization empowered by state law to authorize such entity to become a debtor under such Chapter. Section 7-566 of the Connecticut General Statutes, as amended, provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor. This prohibition applies to any town, city, borough, metropolitan district and to any other political subdivision of the State having the power to levy taxes and issue bonds or other obligations.

The City has never defaulted on the payment of principal or interest on its bonds or notes.

### **Qualification for Financial Institutions**

The Bonds and the Notes shall **NOT** be designated by the City as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds and the Notes.

### **Book-Entry-Only System**

Unless otherwise noted, the description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds and the Notes, payment of interest and other payments on the Bonds and the Notes to DTC participants or beneficial owners of the Bonds and the Notes, confirmation and transfer of beneficial ownership interest in the Bonds and the Notes and other bond-related transactions by and between DTC, the DTC participants and beneficial owners of the Bonds and the Notes is based solely on information provided on the DTC's website and presumed to be reliable. Accordingly, neither the City nor the Underwriters make any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds and the Notes (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such maturity, and one fully-registered Note certificate will be issued for each interest rate of the Notes, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other Securities transactions in deposited Securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation,

all of which are registered clearing agencies. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in the beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments with respect to the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, nor its nominee, the paying agent, or the City subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as Securities depository with respect to the Securities at any time by giving reasonable notice to the City or its Agent. Under such circumstances, in the event that a successor

securities depository is not obtained Security certificates of the Securities are required to be printed and delivered.

The City may decide to discontinue use of the system of the book-entry-only transfers through DTC (or a successor securities depository). In that event, Securities certificates will be printed and delivered to DTC.

NEITHER THE CITY, THE PAYING AGENT, NOR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR THE NOTES; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS OR NOTEHOLDERS; AND (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER OR NOTEHOLDER.

#### **DTC Practices**

The City can make no assurances that DTC, DTC Participants, Indirect Participants or other nominees of the Beneficial Owners of the Bonds or Notes will act in a manner described in this Official Statement. DTC is required to act according to rules and procedures established by DTC and its Participants which are on file with the Securities and Exchange Commission.

#### **Tax Matters**

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements which must be met at and subsequent to delivery of the Bonds and the Notes in order that interest on the Bonds and the Notes remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause interest on the Bonds and the Notes to be included in gross income retroactive to the date of issuance of the Bonds and the Notes. The Tax Regulatory Agreement, which will be executed and delivered by the City concurrently with the Bonds and the Notes, contains representations, covenants and procedures relating to the use, expenditure and investment of proceeds of the Bonds and the Notes in order to comply with such requirements of the Code. Pursuant to the Tax Regulatory Agreement, the City also covenants and agrees that it shall perform all things necessary or appropriate under any valid provision of law to ensure interest on the Bonds and the Notes shall be excluded from gross income for federal income tax purposes under the Code.

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance by the City with its covenants and the procedures contained in the Tax Regulatory Agreement, interest on the Bonds and the Notes is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax. Interest on the Bonds is includable in adjusted current earnings for purposes of computing the federal alternative minimum tax imposed on certain corporations. Interest on the Notes, however, is not taken into account in the calculation of adjusted current earnings for purposes of computing the federal alternative minimum tax imposed on corporations.

Ownership of the Bonds and the Notes may also result in certain collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security and Railroad Retirement benefits, taxpayers utilizing the earned income credit and taxpayers who have or are deemed to have incurred indebtedness to purchase or carry tax exempt obligations, such as the Bonds and the Notes. Prospective purchasers of the Bonds and the Notes, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of ownership and disposition of, or receipt of interest on, the Bonds and the Notes.

In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds and the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. The opinion of Bond Counsel is rendered as of

its date and is based on existing law, which is subject to change. Bond Counsel assumes no obligation to update or supplement its opinion to reflect any facts or circumstances that may come to their attention, or to reflect any changes in law that may thereafter occur or become effective.

Prospective purchasers of the Bonds and the Notes are advised to consult their own tax advisors regarding other State and local tax consequences of ownership and disposition of and receipt of interest on the Bonds and the Notes.

### **Original Issue Discount**

The initial public offering prices of the Bonds and the Notes may be less than the principal amount payable on such Bonds and Notes at maturity. The excess of the principal amount payable at maturity over the initial public offering price at which a substantial amount of these Bonds or Notes are sold constitutes original issue discount. The prices set forth on the cover page and the inside cover page of the Official Statement may or may not reflect the prices at which a substantial amount of the Bonds and the Notes were ultimately sold to the public.

Under Section 1288 of the Code, the amount of original issue discount treated as having accrued with respect to any Bond or Note during each day it is owned by a taxpayer is added to the owner's adjusted basis for purposes of determining gain or loss upon the sale or other disposition of such Bonds or Notes by such owner. Accrued original issue discount on the Bonds and the Notes is excluded from gross income for federal income tax purposes. Original issue discount on any bond or note is treated as accruing on the basis of economic accrual for such purposes, computed by a constant semiannual compounding method using the yield to maturity on such bond. The original issue discount attributable to any bond for any particular semiannual period is equal to the excess of the product of (i) one-half of the yield to maturity of such bond, and (ii) the amount which would be the adjusted basis of the bond at the beginning of such semiannual period if held by the original owner and purchased by such owner at the initial public offering price, over the interest paid during such period. The amount so treated as accruing during each semiannual period is apportioned in equal amounts among the days in that period to determine the amount of original issue discount accruing for such purposes during each such day. Prospective investors in the Bonds and the Notes should consult their tax advisors with respect to the federal income tax consequences of the disposition of and receipt of interest on the Bonds and the Notes.

### **Original Issue Premium**

The initial public offering prices of the Bonds and the Notes may be greater than the principal amount payable on such Bonds and Notes at maturity. The excess of the initial public offering price at which a substantial amount of these Bonds or Notes are sold over the principal amount payable at maturity or on earlier call date constitutes original issue premium. The prices set forth on the cover page and the inside cover page of the Official Statement may or may not reflect the prices at which a substantial amount of the Bonds and the Notes were ultimately sold to the public.

Under Sections 1016 and 171 of the Code, the amount of original issue premium treated as amortizing with respect to any Bond or Note during each day it is owned by a taxpayer is subtracted from the owner's adjusted basis for purposes of determining gain or loss upon the sale or other disposition of such Bonds or Notes by such owner. Amortized original issue premium on the Bonds and the Notes is not treated as a deduction from gross income for federal income tax purposes. Original issue premium on any bond is treated as amortizing on the basis of the taxpayer's yield to maturity using the taxpayer's cost basis and a constant semiannual compounding method. Prospective investors in the Bonds and the Notes should consult their tax advisors with respect to the federal income tax consequences of the disposition of and receipt of interest on the Bonds and the Notes.

### **Ratings**

Standard & Poor's Rating Service ("Standard & Poor's") has assigned a rating of "AAA" (negative outlook) on the Bonds, with the understanding that upon delivery of the Bonds, a municipal financial guaranty insurance policy insuring the payment when due of the principal of and interest on the Bonds will be issued by Assured Guaranty Corp. Standard & Poor's has also assigned an underlying rating of "A" to the Bonds,

affirmed its “A” rating on the City’s currently outstanding general obligation bonds and assigned a rating of “SP-1+” to the Notes.

There is no assurance that the ratings will continue for any given period of time or that the ratings will not be lowered or withdrawn entirely by the rating agency if in their judgment circumstances so warrant.

## **Bond Insurance**

### **The Insurance Policy**

Concurrently with the issuance of the Bonds, Assured Guaranty Corp. (“Assured Guaranty” or the “Insurer”) will issue its financial guaranty insurance policy (the “Policy”) for the Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### **The Insurer**

Assured Guaranty is a Maryland-domiciled insurance company regulated by the Maryland Insurance Administration and licensed to conduct financial guaranty insurance business in all fifty states of the United States, the District of Columbia and Puerto Rico. Assured Guaranty commenced operations in 1988. Assured Guaranty is a wholly owned, indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO.” AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, structured finance and mortgage markets. Neither AGL nor any of its shareholders is obligated to pay any debts of Assured Guaranty or any claims under any insurance policy issued by Assured Guaranty.

Assured Guaranty’s financial strength is rated “AAA” (negative outlook) by Standard & Poor’s, a division of The McGraw-Hill Companies, Inc. (“S&P”), “Aa2” (on review for possible downgrade) by Moody’s Investors Service, Inc. (“Moody’s”) and “AA” (ratings watch negative) by Fitch, Inc. (“Fitch”). Each rating of Assured Guaranty should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by Assured Guaranty. Assured Guaranty does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

### *Recent Developments*

#### Ratings

On July 1, 2009, S&P published a Research Update in which it affirmed its “AAA” counterparty credit and financial strength ratings on Assured Guaranty. At the same time, S&P revised its outlook on Assured Guaranty to negative from stable. Reference is made to the Research Update, a copy of which is available at [www.standardandpoors.com](http://www.standardandpoors.com), for the complete text of S&P’s comments.

On May 20, 2009, Moody’s issued a press release stating that it had placed the “Aa2” insurance financial strength rating of Assured Guaranty on review for possible downgrade. Subsequently, in an announcement dated July 24, 2009 entitled “Moody’s Comments on Assured’s Announcement to Guarantee and Delist FSA Debt”, Moody’s announced that it expects to conclude its review by mid-August 2009. Reference is made to the press release and the announcement, copies of which are available at [www.moody.com](http://www.moody.com), for the complete text of Moody’s comments.

In a press release dated August 10, 2009, Fitch revised its outlook on Assured Guaranty to negative from evolving. Reference is made to the press release, a copy of which is available at [www.fitchratings.com](http://www.fitchratings.com), for the complete text of Fitch’s comments.

There can be no assurance as to the outcome of Moody's review, or as to the further action that Fitch or S&P may take with respect to Assured Guaranty.

For more information regarding Assured Guaranty's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2008, which was filed by AGL with the Securities and Exchange Commission ("SEC") on February 26, 2009, AGL's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009, which was filed by AGL with the SEC on May 11, 2009, and AGL's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009, which was filed by AGL with the SEC on August 10, 2009.

#### Acquisition of FSA

On July 1, 2009, AGL acquired the financial guaranty operations of Financial Security Assurance Holdings Ltd. ("FSA"), the parent of financial guaranty insurance company Financial Security Assurance Inc. For more information regarding the acquisition by AGL of FSA, see Item 1.01 of the Current Report on Form 8-K filed by AGL with the SEC on July 8, 2009.

#### *Capitalization of Assured Guaranty Corp.*

As of June 30, 2009, Assured Guaranty had total admitted assets of \$1,950,949,811 (unaudited), total liabilities of \$1,653,306,246 (unaudited), total surplus of \$297,643,565 (unaudited) and total statutory capital (surplus plus contingency reserves) of \$1,084,906,800 (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

#### *Incorporation of Certain Documents by Reference*

The portions of the following documents relating to Assured Guaranty are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- the Annual Report on Form 10-K of AGL for the fiscal year ended December 31, 2008 (which was filed by AGL with the SEC on February 26, 2009);
- the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009 (which was filed by AGL with the SEC on May 11, 2009);
- the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009 (which was filed by AGL with the SEC on August 10, 2009); and
- the Current Reports on Form 8-K filed by AGL with the SEC relating to the periods following the fiscal year ended December 31, 2008.

All consolidated financial statements of Assured Guaranty and all other information relating to Assured Guaranty included in documents filed by AGL with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the date of this Official Statement and prior to the termination of the offering of the Bonds shall be deemed to be incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such consolidated financial statements.

Any statement contained in a document incorporated herein by reference or contained herein under the heading "Bond Insurance-The Insurer" shall be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document which is incorporated by reference herein also modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

Copies of the consolidated financial statements of Assured Guaranty incorporated by reference herein and of the statutory financial statements filed by Assured Guaranty with the Maryland Insurance Administration are available upon request by contacting Assured Guaranty at 1325 Avenue of the Americas, New York, New

York 10019 or by calling Assured Guaranty at (212) 974-0100. In addition, the information regarding Assured Guaranty that is incorporated by reference in this Official Statement that has been filed by AGL with the SEC is available to the public over the Internet at the SEC's web site at <http://www.sec.gov> and at AGL's web site at <http://www.assuredguaranty.com>, from the SEC's Public Reference Room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the office of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

Assured Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "Bond Insurance".

### **Underwriting**

The Bonds are being purchased by the Underwriters listed on the cover page of this Official Statement (the "Underwriters"). The Underwriters have agreed to purchase the Bonds at the net aggregate purchase price of \$13,415,350.75 (representing the par amount of the Bonds less an underwriter's discount of \$104,050.00, plus a net original issue premium of \$1,369,400.75).

The Underwriters have agreed to purchase the BANS at a purchase price of \$5,020,400.00 (representing the par amount of the Notes, less an underwriter's discount of \$25,500.00, plus a net original issue premium of \$45,900.00).

The Underwriters have agreed to purchase the GANS at a purchase price of \$35,115,550.00 (representing the par amount of the Notes, less an underwriter's discount of \$158,500.00, plus a net original issue premium of \$274,050.00).

The Contract of Purchase between the Underwriters and the City (the "Purchase Contract") provides that the Underwriters will purchase all of the Bonds and the Notes, if any are purchased. The obligation of the Underwriters to accept delivery of the Bonds and the Notes is subject to various conditions contained in the Purchase Contract.

The Underwriters intend to offer the Bonds and the Notes to the public initially at the offering prices or yields set forth on the cover page and the inside cover page of this Official Statement, which may subsequently change without any requirement of prior notice.

## SECTION II - THE CITY

### The Municipality

The City of Hartford was founded by Thomas Hooker and his followers in 1635 and incorporated in 1784. It is the capital of the State of Connecticut and the core of a metropolitan area of over one million people. According to the corrected 2000 Census, Hartford's population as of April 1, 2000 was 124,121, a decrease of 11.2% since 1990. The City consists of an 18.4-square-mile area and lies on the west bank of the Connecticut River, midway between New York City and Boston. Interstate Routes 91 and 84 intersect in Hartford. Amtrak provides rail passenger service and the City is served by Bradley International Airport in Windsor Locks just to the north.

As the commercial center for the region, Hartford is home to many industries and the hub for distribution companies that take advantage of interstate access, and insurance and financial services corporations. The insurance industry, in particular, is a major service specialty, and it spans a range of products, including life insurance, medical insurance, fire/marine/casualty insurance, and pension investments and asset management services, most of which continue to be concentrated in Hartford. Aetna, The Hartford, Phoenix and Travelers are long standing employers that now stand alongside new names in the Hartford market, such as United Health Group, Prudential Financial and Lincoln National (please see Section III for more on this sector).

In 2009, Hartford will become home to a fourth Fortune 500 headquarters operation, a significant achievement for a city of its size. Northeast Utilities will join Aetna, The Hartford and UTC. In addition, Lincoln National, Prudential Financial and Travelers, all Fortune 100 companies, have major operations in the City which employ thousands.

Today, in addition to the foregoing, Hartford is defined in terms of arts, entertainment, education, and culture. According to the Central Regional Tourism District, Hartford has a higher concentration of arts and entertainment spots than any other location in Connecticut. Also according to the Central Regional Tourism District, over a five-year period tourism has increased annually in the Greater Hartford area, with tourists staying longer and spending more money. Most tourists generally give the Hartford area high scores for providing quality experiences related to cultural heritage.

Hartford is also home to leading arts and heritage institutions, including the Wadsworth Atheneum Museum of Art, the nation's first art museum. In 2003, the Bushnell Center for the Performing Arts completed a second performance concert hall with 950 seats and the Mark Twain House & Museum opened a new \$16.5 million 35,000-square-foot visitor center. The Hartford Stage Company continues to be a major cultural attraction for the entire region, and has developed a national reputation for ground-breaking theater. Recent development activities include the renovated TheaterWorks building in downtown, a factory building that has been transformed into Real Art Ways' arts and entertainment complex and the nationally acclaimed Artists Collective's \$7 million building. The Harriet Beecher Stowe House has undergone a major renovation, and the Asylum Hill Boys and Girls Club opened its new \$5.4 million youth center in Asylum Hill in 2004. In September of 2008, the University of Hartford opened the \$21 million Handel Performing Arts Center. The facility, located in the City's Upper Albany Neighborhood, consists of classroom, rehearsal and performance space in a renovated commercial building. Additionally, in the summer of 2009, The Connecticut Science Center was opened in downtown Hartford on the shores of Connecticut River.

Hartford continues to serve as a regional center or is home to a large network of educational institutions. Colleges and universities in the City include The Hartford Graduate Center, affiliated with Rensselaer Polytechnic Institute, Trinity College, The University of Hartford, the University of Connecticut School of Law, the University of Connecticut School of Business, and the Capital Community College, which opened its new \$55 million campus in the newly renovated former G. Fox Building on Main Street in September 2002. The Learning Corridor located on a 16-acre campus opened its doors for the 2000-01 school year. The Learning Corridor has become a model of joint public/private effort to revitalize a neighborhood formerly characterized by crumbling housing, joblessness and crime. It is an example of voluntary integrated education from kindergarten through high school.

The City's library system is regarded as one of the finest of its kind in the nation and has received many national awards and accolades. The Hartford Public Library has taken a leadership role in promoting and supporting literacy and learning and by providing free and open access to information and ideas.

The New England Association of Schools and Colleges has accredited all 32 public schools in the Hartford Public School system. The district has raised test scores on the Connecticut Mastery Test for the past several years. The American Federation of Teachers has recognized "the Hartford Model" as a model for improving low-performing schools across the nation. The City is also well underway with a major overhaul of its educational facilities to provide the most modern and up-to-date technological and teaching environment.

Hartford has continued to make progress in addressing the needs of its aging housing stock and increasing homeownership as a means toward stabilizing neighborhoods. The City's Homeownership Appraisal Gap Program provides financing to developers to construct or rehabilitate houses and return them to the City in an effort to increase homeownership with some 400 units completed and sold. The City also has been successful in stimulating homeownership through its House Hartford Down Payment Assistance Program, which provides financing for approximately 45 potential homeowners each year. In addition, the City administers a home improvement and rehabilitation program for existing houses and apartment buildings. Hartford has also seen the metamorphosis of several of its low-income public housing complexes into lower density detached single-family homes and duplexes. According to the City Assessor, this has had a very positive impact on surrounding property values. Additional low-income public housing complexes are currently in the process of being converted into single-family dwellings.

In addition, numerous luxury and high-end housing projects are under way. See Section III, "Economic and Demographic Data - Current Economic Information - Housing Initiatives," for more information on high-end housing development projects in the City.

### **Government Organization**

The Mayor serves as the City's Chief Executive Officer. The Common Council consists of nine members elected at-large and serves as the City's legislative body. The City Treasurer is elected independently and, in addition to her other duties, serves ex officio as Secretary of the Pension Commission. The City Treasurer has responsibility for the care, custody and investment of all pension funds and all other City funds. All elected officials hold their respective offices for a term of four years. In the event a Mayor is unable to serve for the complete term, the Common Council President shall serve as Mayor until the next regularly scheduled general municipal election. In the event a City Treasurer is unable to serve for the complete term, the Common Council shall fill such vacancy by appointment until the next regularly scheduled general municipal election. The Common Council appoints a City Clerk to serve an indefinite term.

Pursuant to the Charter, the Mayor has designated a Chief Operating Officer to carry out responsibilities with regard to the supervision and direction of the departments and agencies of the City and a Director of Finance who is skilled in municipal accounting, budgeting and financial control. An Independent Audit Commission serves as a further fiscal safeguard. Members of the Independent Audit Commission are appointed by the City Treasurer, the Common Council and the ten largest taxpayers of the City. The Mayor appoints the Corporation Counsel and the heads of all departments, members of most boards (including certain members of the Board of Education), commissions (except the Independent Audit Commission), agencies, authorities and other bodies of the City created by General Statutes or by Ordinance. The Common Council confirms the appointment of the Police Chief, Fire Chief, Director of Finance, Director of Development Services and Corporation Counsel.

## Financial Powers

Under the Charter, the Mayor prepares and submits an annual budget to the Common Council. The Charter prescribes strict schedules and procedures for budget adoption, requirements for public hearing, balanced budget, pension fund contributions and debt service appropriations. The Common Council may, by ordinance, establish a criterion that the Mayor must use for estimating cash receipts from sources other than the tax levy. No appropriation for debt service and appropriations necessary to fulfill the pension obligations of the City, as determined by the Pension Commission, shall be reduced. The Common Council shall not increase the Mayor's estimates of receipts. The Common Council adopts the budget, the appropriation ordinance and the tax levy ordinance. The Mayor may at any time transfer any unencumbered appropriation balance or portion thereof from one classification of expenditure to another within the same department, office or agency, except that no funds may be transferred from the funds appropriated to the Board of Education. Appropriations in addition to those contained in the budget shall be made only on the recommendation of the Mayor and only if the Director of Finance certifies that there is available general fund surplus sufficient to meet such appropriation.

## Governmental Responsibilities and Services

The City provides a broad range of services including public safety, public roads, solid waste collection, health, social services, culture and recreation, education, planning, development, zoning, and general administrative services:

**Water and Sewer:** The City is a member of The Metropolitan District (the "District"). The District's primary purpose is to provide complete, adequate, and modern water supply systems and sewerage collection and disposal facilities for its member municipalities. See Section IV, "Debt Section - Overlapping Debt".

**Transportation:** The Greater Hartford Transit District (the "Transit District"), a regional supervisory and regulatory body in transit-related matters, provides funding for transit systems under State and federal statutes and has bonding power but no taxing powers. The Transit District manages the reconstructed Union Station as a comprehensive transportation center with commercial and retail space in downtown Hartford.

**Housing:** The Hartford Housing Authority manages a broad public housing program comprising State and federally subsidized programs for more than 4,000 families. Two thousand families participate in Authority programs, and approximately 4,700 families participate in Section 8. This includes approximately 250 units built to homeownership standards; the majority of the units have been sold to Hartford residents who were former residents of public housing or families that are income eligible under Housing and Urban Development ("HUD") rules and regulations. In addition, the Hartford Housing Authority received a \$20 million HUD Hope VI grant to rebuild the Dutch Point Housing Project, a multi-unit public housing project located near Adriaen's Landing. To date, 127 units have been completed. See Section III, "Status of 'Six Pillars' of Economic Development".

**Solid Waste Disposal:** The City has a long-term Service Contract with the Connecticut Resources Recovery Authority (the "Authority") for the disposal of solid waste and recycled goods through the Authority's Mid-Connecticut System (the "System") along with 70 other member municipalities throughout Connecticut. Each member municipality disposing of solid waste through the System, including the City, has agreed to cause to be delivered to the System all of the solid waste under its legal control. The Authority is required to accept and dispose of solid waste delivered except that each member municipality retains the responsibility for the collection, disposal, and treatment of certain unacceptable solid waste.

The Authority calculates and imposes tipping fees for all solid waste accepted at the System. The aggregate of all such tipping fees shall be sufficient to pay for the net cost of operation of the System. Tipping fees shall be at a uniform rate per ton for all member municipalities. If a member municipality delivers less than its minimum commitment set forth in its Service Contract, such rate shall nonetheless be applied to its minimum commitment amounts. The City is obligated to deliver to the System a minimum of 55,000 tons per year of

solid waste. The tipping fee for Fiscal Year 2008-09 is \$72 per ton. The tipping fee is subject to change annually based on the net cost of operating the facility. The City also receives landfill rent, payments in lieu of taxes, personal property tax payments for leased property, and tonnage payments based on amounts of bulky waste and total tonnage delivered by all landfill users. The budgeted payments for Fiscal Year 2008-09 of \$4.2 million will partially offset the tipping fee cost to the City of \$4.0 million.

All member municipalities participating in the System, including the City, pledge their full faith and credit for the payment of all tipping fees. The obligation to pay such tipping fee is absolute and unconditional so long as the Authority shall accept and dispose of solid waste delivered by such municipality.

### Municipal Work Force and Employee Relations

#### Full-time Equivalent Positions

|                           | <u>Budget</u><br><u>2008-09</u> | <u>Actual</u><br><u>2007-08</u> | <u>Actual</u><br><u>2006-07</u> | <u>Actual</u><br><u>2005-06</u> | <u>Actual</u><br><u>2004-05</u> |
|---------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| General Government* ..... | 1,633                           | 1,644                           | 1,551                           | 1,400                           | 1,404                           |
| Board of Education .....  | <u>2,759</u>                    | <u>2,927</u>                    | <u>2,771</u>                    | <u>2,500</u>                    | <u>2,589</u>                    |
| <b>Total</b> .....        | 4,392                           | 4,571                           | 4,322                           | 3,900                           | 3,993                           |

\*Includes police, firefighters and emergency services.

#### Collective Bargaining Status

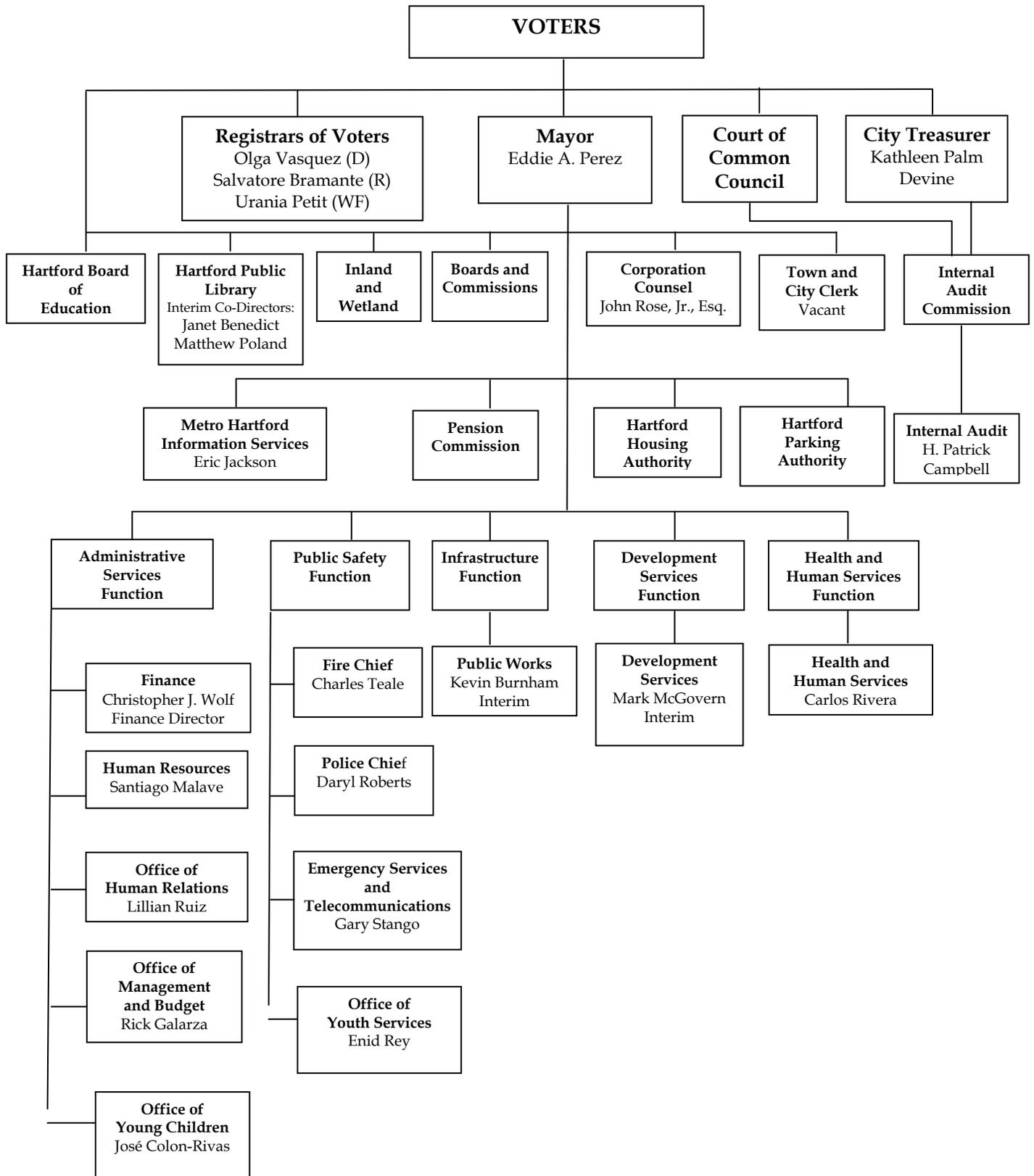
| <u>Union</u>   | <u>Number of</u><br><u>Members</u> | <u>Current Contract</u><br><u>Expiration Date</u> | <u>Status of</u><br><u>Contracts</u> |
|--|------------------------------------|---|--------------------------------------|
| <i>Board of Education</i>  |                                    |   |                                      |
| Hartford Federation of Teachers, Local 1018 .....                              | 1,916                              | June 30, 2011                                     | In effect                            |
| Hartford Federation of School Health<br>Professionals, Local 1018 A/B .....    | 60                                 | June 30, 2012                                     | In effect                            |
| AFSCME, Local 566 .....  | 308                                | June 30, 2007                                     | In negotiations                      |
| Buildings & Grounds, AFSCME, Local 818 .....                                   | 10                                 | June 30, 2011                                     | In effect                            |
| Hartford Federation of Special Police<br>Officers, Local 1018-D .....          | 93                                 | June 30, 2012                                     | In effect                            |
| Hartford Educational Support Personnel<br>Local 82 .....                       | 144                                | June 30, 2010                                     | In effect                            |
| The Hartford Federation of Paraprofessionals,<br>Local 2221 .....              | 463                                | June 30, 2012                                     | In effect                            |
| The Hartford Federation of School Secretaries,<br>Local 1018-C .....           | 148                                | June 30, 2008                                     | In negotiations                      |
| The Hartford Principals and Supervisors<br>Association, Local 22 .....         | 114                                | June 30, 2011                                     | In effect                            |
| The Hartford Federation of Substitute<br>Teachers .....                        | 441                                | June 30, 2008                                     | In negotiations                      |
| The Hartford Schools Support Supervisors<br>Association, Local 78 .....        | 44                                 | June 30, 2011                                     | In effect                            |
| The Children's Development Associates<br>Local 1018-F .....                    | 47                                 | June 30, 2008                                     | In negotiations                      |
| <i>General Government</i>  |                                    |   |                                      |
| Hartford Police Union .....  | 435                                | June 30, 2010                                     | In effect                            |
| Firefighters, Local 760, IAFF .....  | 331                                | June 30, 2016                                     | In effect                            |
| Hartford Municipal Employees Association<br>(non-uniformed supervisory) .....  | 224                                | June 30, 2013                                     | In effect                            |
| City of Hartford Professional Employees<br>Association (non-supervisory) ..... | 56                                 | June 30, 2012                                     | In effect                            |
| Labor and Clerical, Local 1716, AFSCME .....                                   | 621                                | June 30, 2011                                     | In effect                            |

|  |    |               |           |
|--|----|---------------|-----------|
| School Crossing Guards Association ..... | 91 | June 30, 2011 | In effect |
| Municipal Lawyers Association .....      | 7  | June 30, 2011 | In effect |

Connecticut General Statutes Sections 7-473c, 7-474 and 10-153a to 10-153n provide a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certified teachers and certain other employees. The legislative body of a municipal entity may reject an arbitration panel’s decision by a two-thirds majority vote. The State and the employee organization must be advised in writing of the reasons for rejection. The State then appoints a panel of either one or three arbitrators to review the decisions on each of the rejected issues. The panel must accept the last best offer of either party. In reaching its determination, the arbitration panel gives priority to the public interest and the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer. For binding arbitration of teachers’ contracts, in assessing the financial capability of a municipal entity, there is an irrefutable presumption that a budget reserve of 5% or less is not available for payment of the cost of any item subject to arbitration. In the light of the employer’s financial capability, the panel considers prior negotiations between the parties, the interests and welfare of the employee group, changes in the cost of living, existing employment conditions, and the wages, salaries, fringe benefits, and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.

*[Remainder of page intentionally left blank]*

## City Of Hartford - Organizational Chart



## Principal Municipal Officials

| <u>Office</u>   | <u>Name</u>             | <u>Manner of Selection</u> | <u>Date Service Began</u> |
|---|-------------------------|----------------------------|---------------------------|
| Mayor .....   | Eddie A. Perez          | Elected                    | 12/04/01                  |
| City Treasurer .....                                  | Kathleen Palm Devine    | Elected                    | 01/05/99                  |
| Court of Common Council:                              |                         |                            |                           |
| Council President .....                               | Calixto Torres          | Elected                    | 01/01/04                  |
| Majority Leader .....                                 | Rozina Joyce Winch      | Elected                    | 01/01/04                  |
| Assistant Majority Leader .....                       | James M. Boucher        | Elected                    | 12/04/01                  |
| Minority Leader .....                                 | Larry Deutsch           | Elected                    | 01/04/08                  |
| Councilman .....                                      | Veronica Airey-Wilson   | Elected                    | 12/08/93                  |
| Councilman .....                                      | Matthew Ritter          | Elected                    | 01/04/08                  |
| Councilman .....                                      | Luis E. Cotto           | Elected                    | 01/04/08                  |
| Councilman .....                                      | Kenneth H. Kennedy, Jr. | Elected                    | 12/04/01                  |
| Councilman .....                                      | Pedro Segarra           | Elected                    | 05/22/06                  |
| Chief Operating Officer .....                         | David Panagore          | Appointed                  | 07/2009                   |
| Corporation Counsel .....                             | John Rose, Jr., Esq.    | Appointed                  | 03/2004                   |
| Director of Finance .....                             | Christopher J. Wolf     | Appointed                  | 01/2009                   |
| City Assessor .....                                   | Lawrence LaBarbera      | Civil Service              | 06/01/03                  |
| Tax Collector .....                                   | Marc Nelson             | Civil Service              | 08/2008                   |
| Director of Development Services ..                   | Mark McGovern (Interim) | Appointed                  | 07/2009                   |
| Chairman, Pension Commission.....                     | Peter N. Stevens        | Appointed                  | 06/2005                   |
| Chairman, Parking Authority .....                     | Patricia LeShane        | Appointed                  | 12/2008                   |
| Acting Executive Director,<br>Parking Authority ..... | Carey Redd              | Appointed                  | 06/2009                   |
| Superintendent of Schools .....                       | Steven Adamowski        | Appointed                  | 11/01/06                  |

## Educational System

There are 32 public schools in the City consisting of 26 elementary schools, three middle schools and three high schools. The three high schools now house distinct, separate academies: Bulkeley - Upper and Lower Schools; Hartford High - Freshman Academy, Nursing Academy, Law & Government Academy and Academy of Engineering and Green Technology; Weaver - Freshman Academy, Grades 10-12 Academy and Culinary Arts Academy.

There are ten magnet schools in the City: Four elementary - Breakthrough Magnet, Montessori Magnet at Annie Fisher, Kinsella School for the Performing Arts and Webster MicroSociety Magnet School; one middle - Hartford Magnet Middle; two Grades 6-12 Schools - Capital Preparatory Magnet and Classical Magnet; and three high (grades 9-12) - Pathways to Technology, Sports & Medical Sciences Academy and University High School for Science and Engineering.

In addition, there are special programs located throughout the City including a Life Career Center, an Alternative Learning Center and Project Concern/Choice, as well as out-of-district placements.

The Board of Education (the "Board") is composed of four elected members and three members appointed by the Mayor. The Board is fully empowered with all the duties, rights and responsibilities of boards of education established under the Connecticut General Statutes.

Although State control of the Hartford Public Schools ended in 2002, the district must continue to carry out reforms set forth in the Hartford Improvement Plan adopted by the State Board of Trustees. The district must also continue to ensure that all elementary, middle and high schools complete the accreditation process with the New England Association of Schools and Colleges. The New England Association of Schools and Colleges has accredited all of the City's elementary and middle schools. Hartford Public High School has

also been granted conditional accreditation, pending reconstruction of the physical plant which is currently ongoing.

The City and the Hartford Public Schools continue to work through a joint School Building Committee to implement new construction projects including eight new inter-district magnet schools that are scheduled to be built as part of the settlement of the Connecticut Supreme Court Sheff vs. O’Neill decision to help desegregate Hartford’s schools. The State will finance the estimated \$128 million construction cost of the new magnet schools that will accommodate 1,520 elementary, middle and high school students from Hartford and its suburbs.

The district has posted increases on its mandated statewide test, the Connecticut Mastery Test, the past several years. The American Federation of Teachers has recognized the “Hartford Model” as a model for improving low-performing schools across the nation. The 16-acre campus in the Learning Corridor that opened in 2001 features a Montessori Inter-District Magnet School, the Hartford Middle Magnet School, the Greater Hartford Academy of the Arts, and the Greater Hartford Academy of Math and Science. The Learning Corridor is becoming a national model because of the coalition of public and private groups’ joint efforts to revitalize a neighborhood formerly characterized by crumbling housing, joblessness and crime. In its place there now stands a positive example of voluntary integrated education from kindergarten through high school.

### School Enrollment

| <u>Year</u>       | <u>Pre-K</u> | <u>Elementary<br/>Schools</u> | <u>Middle<br/>Schools</u> | <u>High<br/>Schools</u> | <u>Other</u> | <u>Total</u> |
|-------------------|--------------|-------------------------------|---------------------------|-------------------------|--------------|--------------|
| <i>Historical</i> |              |                               |                           |                         |              |              |
| 1995-96 .....     | 736          | 14,143                        | 2,832                     | 4,826                   | 2,193        | 24,730       |
| 1996-97 .....     | 703          | 13,944                        | 2,677                     | 4,444                   | 2,656        | 24,424       |
| 1997-98 .....     | 696          | 14,539                        | 2,958                     | 4,558                   | 1,469        | 24,220       |
| 1998-99 .....     | 652          | 14,356                        | 2,802                     | 4,195                   | 1,690        | 23,695       |
| 1999-00 .....     | 875          | 14,116                        | 2,763                     | 4,457                   | 2,067        | 24,278       |
| 2000-01 .....     | 764          | 13,741                        | 3,298                     | 4,701                   | 1,916        | 24,420       |
| 2001-02 .....     | 631          | 13,491                        | 3,439                     | 4,715                   | 2,203        | 24,479       |
| 2002-03 .....     | 668          | 13,791                        | 3,247                     | 5,030                   | 259          | 22,995       |
| 2003-04 .....     | 653          | 13,629                        | 3,384                     | 4,997                   | 275          | 22,938       |
| 2004-05 .....     | 684          | 12,835                        | 3,560                     | 5,291                   | 374          | 22,744       |
| 2005-06.....      | 670          | 12,704                        | 3,219                     | 5,507                   | 310          | 22,572       |
| 2006-07.....      | 776          | 12,841                        | 2,830                     | 5,714                   | 2,288        | 24,449       |
| 2007-08.....      | 818          | 13,051                        | 2,518                     | 5,856                   | 454          | 22,697       |
| 2008-09.....      | 764          | 12,622                        | 2,379                     | 5,744                   | 2,792        | 24,301       |

## School Facilities

| <u>Facility</u>  | <u>Grades</u> | <u>Date of Construction</u> | <u>Most Recent Addition or Renovation</u> | <u>Actual Enrollment 10/1/08</u> | <u>Functional Capacity</u> |
|--|---------------|-----------------------------|---|----------------------------------|----------------------------|
| <i>Elementary Schools</i>  |               |                             |   |                                  |                            |
| Adult Ed. 110 Washington St.   | Pre-K-8       | 1928                        | 2005                                      | n/a                              | 600                        |
| Batchelder .....   | Pre-K-8       | 1958                        | 1998                                      | 546                              | 724                        |
| Betances .....   | Pre-K-6       | 1924                        | 1986                                      | 440                              | 415                        |
| Breakthrough Magnet I .....  | Pre-K-8       | 1972                        | 2000                                      | 342                              | 330                        |
| Burns .....  | Pre-K-6       | 1939                        | 1992                                      | 539                              | 800                        |
| Burr .....   | Pre-K-8       | 1914                        | 2005                                      | 521                              | 750                        |
| Clark, J.C. ....   | Pre-K-6       | 1971                        | 1988                                      | 466                              | 660                        |
| Dwight .....   | Pre-K-5       | 1883                        | 1999                                      | 355                              | 360                        |
| Fisher .....   | Pre-K-8       | 1965                        | 2009 <sup>1</sup>                         | 376                              |                            |
| Hooker .....   | Pre-K-5       | 1952                        | 2009 <sup>1</sup>                         | 407                              |                            |
| HTLA 1 .....   | K-7           |                             |   | 59                               |                            |
| Kennelly .....   | Pre-K-8       | 1900                        | 1992                                      | 798                              | 740                        |
| Kinsella School for the<br>Performing Arts/Magnet..  | Pre-K-6       | 1974                        | 2009 <sup>1</sup>                         | 568                              | 630                        |
| Little Owls Program .....  | Pre-K         | 1963                        | 2003                                      | 17                               | 9                          |
| McDonough .....  | Pre-K-6       | 1897                        | 1998                                      | 396                              | 515                        |
| M.D. Fox .....   | Pre-K-5       | 1924                        | 1977                                      | 783                              | 860                        |
| Milner .....   | Pre-K-6       | 1924                        | 1998                                      | 417                              | 630                        |
| M.L. King .....  | Pre-K-6       | 1924                        | 1977                                      | 523                              | 865                        |
| Montessori Magnet (at<br>Annie Fisher) .....   | Pre-K-2       | 1972                        | --  | 102                              | 220                        |
| Moylan .....   | Pre-K-6       | 1932                        | 1997                                      | 537                              | 755                        |
| Naylor .....   | Pre-K-8       | 1937                        | 2005                                      | 610                              | 750                        |
| Parkville .....  | Pre-K-6       | 1977                        | 1996                                      | 578                              | 620                        |
| Rawson .....   | Pre-K-6       | 1921                        | 2005                                      | 757                              | 750                        |
| Sanchez .....  | Pre-K-6       | 1992                        | 1992                                      | 528                              | 540                        |
| SAND .....   | Pre-K-6       | 1998                        | 1998                                      | 441                              | 515                        |
| Simpson-Waverly .....  | Pre-K-6       | 1970                        | 1988                                      | 347                              | 675                        |
| Twain (Achievement First) ..   | Pre-K-6       | 1952                        | 1963                                      | n/a                              | 475                        |
| Webster MicroSociety<br>Magnet School .....  | Pre-K-7       | 1900                        | 2005                                      | 610                              | 750                        |
| West Middle .....  | Pre-K-6       | 1894                        | 1995                                      | 669                              | 650                        |
| Wish .....   | Pre-K-6       | 1962                        | 1962                                      | 423                              | 615                        |
| 150 Tower Avenue<br>(Breakthrough II and<br>International Baccalaureate<br>Global Studies) ..... | Pre-K-8       | 1930                        | 1952                                      | <u>307</u>                       | 400                        |
| <b>TOTAL</b>   |               |                             |   | <b>13,462</b>                    |                            |
| <i>Middle Schools</i>  |               |                             |   |                                  |                            |
| Bellizzi Middle .....  | 6-8           | 1964                        | 1996                                      | 427                              | 680                        |
| Fox Middle .....   | 7-8           | 1971                        | 2000                                      | 164                              | 1,248                      |
| Hartford Magnet Middle<br>(Learning Corridor) .....  | 6-8           | 2000                        | n/a                                       | 613                              | 624                        |
| Quirk Middle .....   | 7-8           | 1972                        | 2000                                      | <u>567</u>                       | 1,280                      |
| <b>TOTAL</b>   |               |                             |   | <b>1,171</b>                     |                            |
| <i>Magnet Middle/High Schools</i>  |               |                             |   |                                  |                            |
| Capital Preparatory Magnet .   | 6-12          | --                          | --  | 120                              | n/a                        |
| Classical Magnet .....   | 6-12          | 2005                        | 2005                                      | 345                              | n/a                        |
| Sports and Medicine Sciences<br>Academy (Magnet) .....   | 7-12          | 2008                        | 2008                                      | <u>580</u>                       | 325                        |
| <b>TOTAL</b>   |               |                             |   | <b>1,549</b>                     |                            |

| <u>Facility</u>  | <u>Grades</u> | <u>Date of Construction</u> | <u>Most Recent Addition or Renovation</u> | <u>Actual Enrollment 10/1/08</u> | <u>Functional Capacity</u> |
|--|---------------|-----------------------------|---|----------------------------------|----------------------------|
| <i>High Schools</i>  |               |                             |   |                                  |                            |
| Bulkeley <sup>2</sup> .....  | 9-12          | 1974                        | 2000                                      | 1,411                            | 1,440                      |
| Hartford <sup>3</sup> .....  | 9-12          | 1963                        | 2008                                      | 1,540                            | 1,800                      |
| HTLA II .....  | 8-12          |                             |   | 65                               |                            |
| Pathways to Technology<br>(Magnet) .....                               | 9-12          | n/a                         | n/a                                       | 391                              | n/a                        |
| University High School for<br>Science and Technology<br>(Magnet) ..... | 9-12          | 2009                        | 2009                                      | 346                              | 600                        |
| Weaver <sup>4</sup> .....  | 9-12          | 1974                        | 1974                                      | <u>1,116</u>                     | 1,888                      |
| <b>TOTAL</b>   |               |                             |   | <b><u>4,869</u></b>              |                            |
| <b>GRAND TOTAL</b>   |               |                             |   | <b><u><u>21,650</u></u></b>      |                            |

<sup>1</sup>Renovation scheduled for 2009.

<sup>2</sup>Two academies: Upper School and Lower School.

<sup>3</sup>Four academies: Freshman Academy; Nursing Academy; Law and Government Academy; and Academy of Engineering and Green Technology

<sup>4</sup>Three academies: Freshman Academy; Grades 10-12 Academy; and Culinary Arts Academy

## SECTION III – ECONOMIC AND DEMOGRAPHIC DATA

### Current Economic Information

The City's Department of Development Services, encompassing the City's planning, community development, housing, economic development licensing and permitting functions, and created pursuant to the City Charter, is fully staffed and making a significant impact on major economic initiatives. The Department is positioned to be the single point of contact for commercial and residential development projects.

The Hartford region ranks in the top 15% of U.S. metropolitan economies in Gross Metropolitan Product. Evidence of this economic development activity and the revitalization of the City are clearly visible in the ongoing changes in Hartford's skyline and numerous neighborhoods, much of which will be presented in this section.

Hartford continues to be the largest employment center in the State with more than 115,000 people working in the City on a daily basis. In addition to becoming a regional center for logistic and distribution companies, the headquarters of three Fortune 500 companies are located in Hartford to take advantage of the City's strategic location and highly productive workforce and a fourth will be added in 2009. In September of 2008, Northeast Utilities announced its plans to relocate its headquarters operation to downtown and Virtus, a new subsidiary of the Phoenix Companies, Inc., announced its intention to remain in the City. However, the current challenges in the capital markets and the relative uncertainty about both the short and potential long term economic outlook are a cause of concern, given the concentration of financial service firms located in Hartford. The Hartford Financial Services Group which recently experienced a significant drop in stock value has taken the proactive step of announcing the purchase of a Florida based savings and loan in order to qualify for federal TARP program assistance. It is expected that other insurance companies such as the Phoenix will be examining such proactive steps in order to bolster their cash reserves and further insulate themselves from the turmoil in the financial markets. In addition, in response to its current financial position, American International Group, Inc. (AIG) has offered for sale to third parties the specialty insurer Hartford Steam Boiler. As 2009 progresses, discussion of mergers, consolidation and acquisitions are expected as they are elsewhere in the nation.

While market corrections slow the pace of activity, the City continues to support efforts to transform high-density, low-income housing projects into single-family homeownership and affordable rental units continues throughout the downtown, and neighborhood retail projects continue to take place, such as the recent opening of its restaurant in Connecticut by the national credit retailer, Pollo Tropical.

#### *Status of "Six Pillars" of Economic Development*

The Connecticut General Assembly in 1998 created the Capital City Economic Development Authority ("CCEDA"). CCEDA is a quasi-public authority charged with overseeing the State's investment in projects that received CCEDA funding. CCEDA funding was made available for projects located within a bounded downtown area within six categories, also known as the "six pillars". The six pillars include: Adriaen's Landing Convention Center, 1,000 housing units in downtown, the Capital Community College downtown campus, Morgan Street parking garage, the Civic Center conversion, and riverfront infrastructure improvements. Pillar projects have been successful in achieving their goals of placing feet on the street, enhancing the vitality of the downtown and serving as a catalyst for additional private investment.

- **Adriaen's Landing:**

The total investment for the Adriaen's Landing project is nearly \$1 billion with public funding totaling \$700 million and private investment amounting to approximately \$275 million.

*The Connecticut Convention Center* - The Convention Center opened for operation in June of 2005 with its 145,000 square foot exhibition hall, a 40,000 square foot ballroom, and 25,000 square feet of meeting rooms at a cost of \$190 million. Since the opening, the Center has hosted an averaged 220 events and 250,000 visitors per year.

*Marriott Convention Hotel* - The 22-story Hartford Marriott Downtown Hotel opened its doors for business in the summer of 2005. The Waterford Group LLC is the private developer for the 409-room hotel, as well as the manager of the Convention Center. This first phase of the project was completed at a cost of approximately \$77 million. The hotel was designed for the construction of a second phase addition that will include another 300 rooms.

*Front Street* - The HB Nitkin Group was selected by CCEDA as the developer for this project, which will include 60,000 square feet of retail, restaurant and entertainment space and a 286-space garage in its first phase. Construction commenced in November of 2008 and will be completed in early 2010. The western portion of Front Street District is being planned for a second phase that would include a new residential development.

*Connecticut Science Center* - This 145,000-square-foot facility will be the educational destination for Adriaen's Landing. With a regional appeal to families and tourists, it is expected to attract more than 400,000 visitors each year. Caesar Pelli was selected to design the \$150 million Center. This project opened in June 2009.

- **Downtown housing units** - Three residential developments have been completed with CCEDA's financial assistance. Trumbull on the Park, which includes 100 market rate apartments, 7,600 square feet of retail and a 600-space garage, was completed in late 2005. This was followed in 2006 by the opening of Hartford 21, a 36-story, 262-unit tower. The project also includes 56,000 square feet of retail for shops and restaurants and is also the new home for the YMCA health club. Lastly, the Temple Street development opened in 2007, adding 78 market rate lofts and 42 student/intern townhouses.
- **Downtown college campus** - Enrollment at this institution continues to increase from year to year. The \$55 million Capital Community College's campus now occupies the former G. Fox department store building at 950 Main Street. The 304,000 square foot campus was completed on time and on budget in September 2002.
- **Parking improvements** - The Morgan Street Garage opened in January 2002 and added 2,300 parking spaces for the Capital Community College students, downtown office workers and professional and leisure commuters. The facility is run by the Hartford Parking Authority, which also operates the Church Street and MAT Garages at a 96% occupancy rate.
- **Civic Center/Hartford 21** - In addition to CCEDA's investment in Hartford 21, CCEDA funds were used to renovate the former Civic Center mall. The retail space that was previously facing inward now opens to Trumbull Street and a new entrance was built for the XL Center, which hosts UConn basketball games, exhibits and concerts.
- **Riverfront infrastructure** - A large portion of this \$25 million project has been completed with the pedestrian walkway at Riverfront Plaza, boat launches at Charter Oak Landing, the community boathouse and boat ramps at Riverside Park, the Columbus Boulevard walkway and the Riverwalk North. Only the Riverwalk South to the Colt Gateway remains to be completed.

## Major Projects

- **Coltsville** - The Coltsville- National Park Service designated it a National Historic Landmark in July of 2008. Since then, the Coltsville Ad Hoc Committee commissioned, completed and submitted a Visitor Experience Study that describes how a National Park would function and what it would include. Based on this study a specific proposal is being prepared for the National Park Service that will lead to legislation and designation as a National Park.

Urban Smart Growth has taken control of the development project. All 40 residential lofts that have been completed have been leased. In addition, the campus is home to a CREC School and Lexis Nexis, a software company. Environmental remediation of the courtyard is underway, and a new streetscape, to be funded with Federal dollars, is currently under review with the Connecticut Department of Transportation. Urban Smart Growth is currently negotiating with existing creditors, the city and state on a financial work out that will result in a resumption of the armory renovations.

- **Insurance and Financial Services Sector** - Several important projects have been initiated and/or completed in this sector in the past two years.

*Prudential Retirement Services* renewed their lease at 280 Trumbull Street and retained 750 high paying positions within the City.

*Lincoln National Corporation* renewed its lease at the Metro Center, thereby retaining its 800 jobs downtown. This decision followed Lincoln's merger with Jefferson Pilot.

*Globe Op Financial Services* was recruited to establish a Hartford operation. The company, based in New York, provides administrative and technology support to hedge funds and asset management firms and employs more than 100.

*Aetna Life Insurance Company* announced its plans to invest over \$150 million in its Farmington Avenue campus to accommodate the relocation of 3,400 employees from other locations. In addition to major interior and exterior building renovations, Aetna is constructing two parking garages, the first of which opened in 2008. By 2010, Aetna will have approximately 6,400 employees at the Hartford campus.

*The Hartford Financial Services Group, Inc.* completed the purchase of 140 Garden Street in June of 2008, adding 17 acres to its headquarter campus. This acquisition provides a unique opportunity for growth in Hartford. In addition, the corporation is proceeding with a new data center. Following a review of corporate-owned properties throughout the nation, The Hartford decided to site one of two new facilities at the headquarters. The project will include the renovation of 106,200 square feet of existing space and the construction of a 31,725 building addition. This project will result in a minimum investment of \$150 million and the retention of 600 positions.

*Virtus Investment Partners* announced in September of 2008 its plan to lease space and employ 165 persons at 100 Pearl Street. Virtus is a spin-off of The Phoenix Companies, Inc.

- **Handel Performing Arts Center** - In September of 2008, the University of Hartford opened its new center for performing arts education. The University invested \$20 million in a vacant car dealership, which extended its reach into the Upper Albany neighborhood. The facility consists of classrooms, offices, and rehearsal and performance space and is available for community use.
- **Northeast Utilities** - In September of 2008, Northeast Utilities announced its plan to purchase 10 Prospect Street in the central business district. NU will relocate its headquarters operation and 180 executive positions to this location. The company cited its interest in being in the capital city and the seat of government as their relocation motivation.
- **Sims Metal Management Aerospace, Inc. ("Sims")** - In October of 2008, this aerospace company announced plans to relocate within the City. Currently located on Flatbush Avenue, Sims has

executed a 25-year lease to rent an existing 279,000 square foot building and a 145,000 square foot building that will be constructed to meet their needs. The project is located in the North Meadows and is one of the region's largest industrial transactions of the year.

- **Hilton Homewood Suites** - Opened for business in 2007. The new facility has 166 rooms at the former Bond Hotel on Asylum Street. It also features a banquet facility and a restaurant.
- **Metro Center at Main and Pavilion** - This \$4.5 million shopping plaza opened in the spring of 2005. The plaza is fully leased and anchored by Family Dollar and Save-A-Lot grocery store. The project represents the first new commercial ground-up development in the Clay-Arsenal neighborhood in over 30 years and employs 34 full-time employees.
- **Former Charter Oak Terrace Housing Project** - This 60-acre site is the new home of a federal Job Corps Center and a 350,000 square foot retail shopping center, anchored by Wal-Mart. The in-line retail shops celebrated a grand opening in November 2004 and have created more than 800 new jobs and quality shopping opportunities in the City. Since then, the development of the out parcels for national chain restaurants has rounded out the site. In addition, 10 acres of needed industrial land ready for development balances out the project.

### Housing Initiatives

In the 1990's Hartford adopted two objectives - reconstructing or renovating all of its public housing projects with the desire to increase home ownership and reduce rentals. The first objective is substantially complete. The City is now focused on its second objective and has the following projects in various stages of design and development. Approximately 2,100 homeownership units have been added since 2002.

- **410 Asylum** - Common Ground is in the process of converting a vacant office building into 70 mixed-income apartments at a cost of \$22 million. This 1920's building will overlook Bushnell Park and include 13,000 square feet of retail space. This project is scheduled for completion in the second quarter of 2009.
- **Former American Airlines building** - College Street Partners is currently renovating a 160,000 square foot building purchased from the City. The project will include 18,000 square feet of retail space on the first floor and 101 apartments on the upper floors.
- **Northend Gateway at 1450 Main Street** - The City sold this 4.3 acre parcel of land to Sheldon Oak Central, LLC. The developer built 45 affordable rental units and 12 market-rate apartments in the Clay Arsenal neighborhood. This \$17 million project is expected to open for occupancy in December 2008 and is equipped with central air, high speed internet, direct access elevators and a dedicated green space for families.
- **Brick Hollow** - This \$8 million project was completed in 2006. The development rehabilitated and reconfigured 60 housing units to 50. The property is located in the Putnam Heights area of the Frog Hollow Neighborhood.
- **Capewell** - The former horse nail factory is situated on 6 acres near Adriaen's Landing in the Sheldon/Charter Oak Neighborhood. Current plans are for 67 residential condominiums at an estimated project cost of \$34 million.
- **Dutch Point** - The Hartford Housing Authority received a \$20 million HUD Hope VI grant to rebuild the Dutch Point Housing Project. Phase I, which includes 73 rental units, was completed in 2006. Phase II was completed in the fall of 2008, and consists of 54 apartments and recreational areas. Construction of Phase III is underway and will add another 58 units to this \$73 million development.

- **Rice Heights** - Rice Heights is another example of the City's ambitious program to turn public-housing projects from blight to middle-class homeownership. Approximately 50 single-family dwelling units have been built and sold to qualified candidates.
- **Alden Street** - In 2006, Providian Builders completed construction and sold 23 townhouse-style condominiums.
- **Trumbull on the Park** - A \$40 million project that includes 100 market-rate apartments, 7,600 square feet of retail space, and a 600-car parking garage. The development is located on historic Lewis Street and faces Bushnell Park. The project is funded through the Connecticut Housing Finance Authority with the assistance of a federal loan guarantee and \$6 million from CCEDA and opened in 2005.
- **18 Temple Street** - The \$45 million renovation of the former Sage-Allen department store began in late 2004 and was completed in May 2007. The project includes 78 market-rate apartments, 42 student townhouses, 12,000 square feet of retail space, and a parking garage for 318 cars.
- **The Metropolitan** - New Haven, Connecticut-based College Street Partners completed the renovation of 246 Pearl Street in 2006. The former office building was transformed into 50 market-rate condominiums in the central business district. Sales of individual units are currently underway.
- **Goodwin Estates** - New York-based Ginsburg Development Company restored the historic Goodwin Estates in the west end of the City with seven condominium flats and 56 new townhouses in Hartford's first new high-end housing in 20 years. The project was completed at a cost of \$23 million and all units have been sold. The Goodwin homes vary in size from 1,500 square foot to 3,000 square foot townhouses.
- **Mortson Street/Putnam Heights** - This \$10.8 million project includes the conversion of seven abandoned buildings and construction of five new buildings to complete 70 new owner-occupied townhouses.
- **Pope Park/Park Terrace** - 68 affordable units have been restored or constructed in 13 perfect-six apartment buildings. Mutual Housing Association of Greater Hartford Inc. developed the \$14 million project with a combination of loans, grants, and other funding sources.
- **SANA Apartments** - The \$25 million HUD funded project to reconfigure and rehabilitate the South Arsenal Neighborhood Associations' 260 housing units contained in 13 separate buildings was completed in 2005.
- **Stowe Village** - More than 100 duplex units have been built and beautifully landscaped at Stowe Village in the Northeast neighborhood. Thirty-three single-family units flank the units and a third phase of construction of additional single-family dwellings is planned.

### Planned Projects

- **Public Safety Complex:** Progress continues on the City's new public safety complex on High Street. The former Board of Education building will be renovated as the new Fire Department headquarters, which will be connected to a new headquarter facility for the Police Department. Commercial activity and interest in the surrounding area is increasing as a result of this project, located northwest of the central business district near the intersection of Main Street and Albany Avenue.
- **3 Constitution Plaza:** AI Engineers of Middletown, CT purchased the former WFSB-Broadcast House in July of 2008, with the intention of demolishing the structure and building an 11-story tower. Located at the corner of Columbus and State Streets, 3 Constitution Plaza is a signature downtown site. AI Engineers is designing a LEED Platinum tower to serve as its corporate headquarters and to provide additional space for technology companies.

- **YMCA Site on Jewell Street:** Northland Development plans to build 250 upscale condominiums on the current YMCA site, at a cost of \$117 million. This is a 1.3 acre parcel located in Bushnell Park. Northland’s intention is to raze the building. The Y’s health facilities and headquarters have been relocated to a 40,000 square foot facility in the new Hartford 21 complex.

### Redevelopment Opportunities

- **Downtown Redevelopment Initiative:** On January 26, 2009, the Court of Common Council adopted three separate Redevelopment Plans in accordance with State statute. Each Plan was designed to target blighted buildings and/or underutilized land areas in and surrounding the downtown core. The purpose of each Plan is to stimulate private investment and create better physical connections with the central business district. Acquisition strategies are critical components of each Plan. They are as follows::

The *Constitution Plaza East Project* is the smallest of the three Plans and focuses on the former WFSB-Broadcast House and the long vacant Sonesta Hotel. As noted above, AI Engineers is proceeding with a plan for the Broadcast House, which is consistent with the Plan’s goal for this important site. Since part of the reuse of the hotel building presents considerable financial challenges, a demolition and reuse of the site may be required.

The *Downtown North Project* area is currently separated from the central business district by Interstate 84. The 123 acre plan area is dominated by underutilized land. The Plan calls for the acquisition of one blighted structure and two vacant parcels of land to create a substantial assemblage to spur a large scale, mixed-use development to connect downtown and the Clay Arsenal neighborhood.

The *Downtown West-Section II Union Station-Walnut Street Project* aims to create a linkage between Union Station and Asylum Hill, home to major insurance companies and thousands of workers. One blighted building and a small parcel of land are included in the acquisition strategy. With a new State focus on utilizing Union Station as a commuter rail hub, the area presents a unique opportunity for transit-oriented development.

### Population and Density

| <u>Year</u> | <u>City of Hartford</u> |                 |                            | <u>Hartford County</u> |                 | <u>State of Connecticut</u> |                 |
|-------------|-------------------------|-----------------|----------------------------|------------------------|-----------------|-----------------------------|-----------------|
|             | <u>Population</u>       | <u>% Change</u> | <u>Density<sup>1</sup></u> | <u>Population</u>      | <u>% Change</u> | <u>Population</u>           | <u>% Change</u> |
| 2000 .....  | 124,121                 | (11.2)          | 6,746                      | 857,183                | 0.6             | 3,405,565                   | 3.6             |
| 1990 .....  | 139,739                 | 2.5             | 7,595                      | 851,783                | 5.4             | 3,287,116                   | 5.8             |
| 1980 .....  | 136,392                 | (13.7)          | 7,413                      | 807,766                | (1.1)           | 3,107,576                   | 2.5             |
| 1970 .....  | 158,017                 | (2.6)           | 8,588                      | 816,737                | 18.4            | 3,032,217                   | 19.6            |
| 1960 .....  | 162,178                 | 0               | 8,814                      | 689,555                | 0               | 2,535,235                   | 0               |

<sup>1</sup>Density based on 18.4 square miles.

Source: U.S. Department of Commerce, Bureau of the Census, Census of Population and Housing, 1960–2000.

## Population Composition

| <u>Age</u>              | <u>City of Hartford</u>   |                | <u>Hartford County</u> |                | <u>State of Connecticut</u> |                |
|-------------------------|---------------------------|----------------|------------------------|----------------|-----------------------------|----------------|
|                         | <u>Number<sup>1</sup></u> | <u>Percent</u> | <u>Number</u>          | <u>Percent</u> | <u>Number</u>               | <u>Percent</u> |
| Under 5 years .....     | 10,116                    | 8.3            | 54,783                 | 6.4            | 223,344                     | 6.5            |
| 5 to 9 years .....      | 10,746                    | 8.8            | 60,819                 | 7.1            | 244,144                     | 7.2            |
| 10 to 14 years .....    | 9,959                     | 8.2            | 61,163                 | 7.1            | 241,587                     | 7.1            |
| 15 to 19 years .....    | 10,341                    | 8.5            | 54,600                 | 6.4            | 216,627                     | 6.3            |
| 20 to 24 years .....    | 10,689                    | 8.8            | 46,422                 | 5.4            | 187,571                     | 5.5            |
| 25 to 34 years .....    | 18,801                    | 15.5           | 112,598                | 13.1           | 451,640                     | 13.3           |
| 35 to 44 years .....    | 17,398                    | 14.3           | 142,507                | 16.6           | 581,049                     | 17.1           |
| 45 to 54 years .....    | 13,342                    | 11.0           | 120,642                | 14.1           | 480,807                     | 14.1           |
| 55 to 59 years .....    | 4,723                     | 3.9            | 44,319                 | 5.2            | 176,961                     | 5.2            |
| 60 to 64 years .....    | 3,875                     | 3.2            | 33,702                 | 3.9            | 131,652                     | 3.9            |
| 65 to 74 years .....    | 5,935                     | 4.9            | 60,976                 | 7.1            | 231,565                     | 6.8            |
| 75 to 84 years .....    | 4,015                     | 3.3            | 47,197                 | 5.5            | 174,345                     | 5.1            |
| 85 years and over ..... | <u>1,638</u>              | <u>1.3</u>     | <u>17,455</u>          | <u>2.1</u>     | <u>64,273</u>               | <u>1.9</u>     |
| <b>Total</b> .....      | <b>121,578</b>            | <b>100.0</b>   | <b>857,183</b>         | <b>100.0</b>   | <b>3,405,565</b>            | <b>100.0</b>   |

| <u>Median Age</u>          | <u>1990</u> | <u>2000</u> |
|----------------------------|-------------|-------------|
| City of Hartford .....     | 28.4        | 29.7        |
| Hartford County .....      | 34.5        | 37.7        |
| State of Connecticut ..... | 34.4        | 37.4        |

<sup>1</sup> According to the official returns of the 2000 U.S. Census, the corrected population count as of April 1, 2000 for the City of Hartford is 124,121. The population by age was not corrected to reflect this change, however.

Source: U.S. Department of Commerce, Bureau of the Census, Census of Population and Housing, 1990-2000.

## Income Distribution

| <u>Income for Families</u> | <u>City of Hartford</u> |                | <u>Hartford County</u> |                | <u>State of Connecticut</u> |                |
|----------------------------|-------------------------|----------------|------------------------|----------------|-----------------------------|----------------|
|                            | <u>Families</u>         | <u>Percent</u> | <u>Families</u>        | <u>Percent</u> | <u>Families</u>             | <u>Percent</u> |
| \$ 0 - 9,999 .....         | 5,298                   | 19.3           | 10,777                 | 4.8            | 33,423                      | 3.8            |
| 10,000 - 14,999 .....      | 2,689                   | 9.8            | 6,854                  | 3.1            | 23,593                      | 2.7            |
| 15,000 - 24,999 .....      | 4,829                   | 17.6           | 16,969                 | 7.6            | 63,262                      | 7.1            |
| 25,000 - 34,999 .....      | 3,708                   | 13.5           | 20,262                 | 9.1            | 75,413                      | 8.5            |
| 35,000- 49,999 .....       | 4,204                   | 15.3           | 30,972                 | 13.9           | 120,134                     | 13.6           |
| 50,000 - 74,999 .....      | 3,952                   | 14.4           | 50,644                 | 22.7           | 198,924                     | 22.5           |
| 75,000 - 99,999 .....      | 1,525                   | 5.5            | 36,116                 | 16.2           | 141,981                     | 16.0           |
| 100,000 - 149,999 .....    | 765                     | 2.8            | 31,848                 | 14.2           | 132,177                     | 14.9           |
| 150,000 or more .....      | <u>483</u>              | <u>1.8</u>     | <u>18,856</u>          | <u>8.4</u>     | <u>96,840</u>               | <u>10.9</u>    |
| <b>Total</b> .....         | <b>27,453</b>           | <b>100.0</b>   | <b>223,298</b>         | <b>100.0</b>   | <b>885,747</b>              | <b>100.0</b>   |

Source: U.S. Department of Commerce, Bureau of the Census, Census of Population and Housing, 2000.

## Income Levels

|  | <u>City of Hartford</u> | <u>Hartford County</u> | <u>State of Connecticut</u> |
|--|-------------------------|------------------------|-----------------------------|
| Per capita income .....                | \$13,428                | \$26,047               | \$28,766                    |
| Median family income .....             | \$27,051                | \$62,144               | \$65,521                    |
| Median household income .....          | \$24,820                | \$50,756               | \$53,935                    |
| % below poverty level (families) ..... | 28.2%                   | 7.1%                   | 5.6%                        |

Source: U.S. Department of Commerce, Bureau of the Census, Census of Population and Housing, 2000.

### Educational Attainment

(Years of School Completed, Age 25 and over)

| <u>Educational Attainment</u>           | <u>City of Hartford</u> |                | <u>Hartford County</u> |                | <u>State of Connecticut</u> |                |
|---|-------------------------|----------------|------------------------|----------------|-----------------------------|----------------|
|   | <u>Number</u>           | <u>Percent</u> | <u>Number</u>          | <u>Percent</u> | <u>Number</u>               | <u>Percent</u> |
| Less than 9th grade .....               | 11,541                  | 16.5           | 37,632                 | 6.5            | 132,917                     | 5.8            |
| 9th to 12th grade, no diploma .....     | 15,821                  | 22.7           | 64,670                 | 11.2           | 234,739                     | 10.2           |
| High school graduate .....              | 21,240                  | 30.4           | 165,890                | 28.6           | 653,300                     | 28.5           |
| Some college, no degree .....           | 9,931                   | 14.2           | 101,051                | 17.4           | 402,741                     | 17.5           |
| Associate degree .....                  | 2,671                   | 3.8            | 38,945                 | 6.7            | 150,926                     | 6.6            |
| Bachelor degree .....                   | 5,030                   | 7.2            | 101,865                | 17.6           | 416,751                     | 18.2           |
| Graduate or professional degree .....   | <u>3,634</u>            | <u>5.2</u>     | <u>69,786</u>          | <u>12.0</u>    | <u>304,243</u>              | <u>13.2</u>    |
| Total .....                             | 69,868                  | 100.0          | 579,839                | 100.0          | 2,295,617                   | 100.0          |
| Percent high school graduate            |                         |                |                        |                |                             |                |
| or higher .....                         |                         | 60.8           |                        | 82.4           |                             | 84.0           |
| Percent bachelor degree or higher ..... |                         | 12.4           |                        | 29.6           |                             | 31.4           |

Source: U.S. Department of Commerce, Bureau of the Census, Census of Population and Housing, 2000.

### Age Distribution of Housing

| <u>Household Characteristics</u> | <u>City of Hartford</u> |                | <u>Hartford County</u> |                | <u>State of Connecticut</u> |                |
|----------------------------------|-------------------------|----------------|------------------------|----------------|-----------------------------|----------------|
|                                  | <u>Units</u>            | <u>Percent</u> | <u>Units</u>           | <u>Percent</u> | <u>Units</u>                | <u>Percent</u> |
| Built in 1939 or earlier .....   | 16,373                  | 32.3           | 71,019                 | 20.1           | 308,896                     | 22.3           |
| Built in 1940-1959 .....         | 15,444                  | 30.5           | 101,177                | 28.6           | 359,042                     | 25.9           |
| Built in 1960-1969 .....         | 7,687                   | 15.2           | 57,088                 | 16.2           | 212,176                     | 15.3           |
| Built in 1970-1979 .....         | 5,769                   | 11.4           | 51,755                 | 14.7           | 203,377                     | 14.7           |
| Built in 1980-1989 .....         | 3,355                   | 6.6            | 46,009                 | 13.0           | 183,405                     | 13.2           |
| Built in 1990-1994 .....         | 1,127                   | 2.2            | 12,310                 | 3.5            | 56,058                      | 4.0            |
| Built in 1995-March 2000 .....   | <u>889</u>              | <u>1.8</u>     | <u>13,664</u>          | <u>3.9</u>     | <u>63,021</u>               | <u>4.6</u>     |
| Total .....                      | 50,644                  | 100.0          | 353,022                | 100.0          | 1,385,975                   | 100.0          |

Source: U.S. Department of Commerce, Bureau of the Census, Census of Population and Housing, 2000.

### Housing Unit Inventory and Vacancy Rates

| <u>Housing Units</u>              | <u>City of Hartford</u> |                | <u>Hartford County</u> |                | <u>State of Connecticut</u> |                |
|-----------------------------------|-------------------------|----------------|------------------------|----------------|-----------------------------|----------------|
|                                   | <u>Number</u>           | <u>Percent</u> | <u>Number</u>          | <u>Percent</u> | <u>Number</u>               | <u>Percent</u> |
| Units in structure                |                         |                |                        |                |                             |                |
| 1 unit, detached .....            | 7,553                   | 14.9           | 193,737                | 54.9           | 816,706                     | 58.9           |
| 1 unit, attached .....            | 2,145                   | 4.3            | 19,852                 | 5.6            | 71,185                      | 5.1            |
| 2 to 4 units .....                | 18,345                  | 36.2           | 65,403                 | 18.5           | 246,617                     | 17.8           |
| 5 to 9 units .....                | 7,505                   | 14.8           | 23,239                 | 6.6            | 76,836                      | 5.6            |
| 10 or more units .....            | 15,046                  | 29.7           | 48,895                 | 13.9           | 162,437                     | 11.7           |
| Mobile home, trailer, other ..... | <u>50</u>               | <u>0.1</u>     | <u>1,896</u>           | <u>0.5</u>     | <u>12,194</u>               | <u>0.9</u>     |
| Total units .....                 | 50,644                  | 100.0          | 353,022                | 100.0          | 1,385,975                   | 100.0          |
| Occupied housing units .....      | 44,986                  | 88.8           | 335,098                | 94.9           | 1,301,670                   | 93.9           |
| Vacant housing units .....        | <u>5,658</u>            | <u>11.2</u>    | <u>17,924</u>          | <u>5.1</u>     | <u>84,305</u>               | <u>6.1</u>     |
| Total units .....                 | 50,644                  | 100.0          | 353,022                | 100.0          | 1,385,975                   | 100.0          |

Source: U.S. Department of Commerce, Bureau of the Census, Census of Population and Housing, 2000.

### Owner-occupied Housing Units

|                                  | <u>City of Hartford</u> |                | <u>Hartford County</u> |                | <u>State of Connecticut</u> |                |
|----------------------------------|-------------------------|----------------|------------------------|----------------|-----------------------------|----------------|
| Total owner-occupied units ..... | 11,064                  |                | 215,275                |                | 869,729                     |                |
| Persons per unit .....           | 2.76                    |                | 2.62                   |                | 2.67                        |                |
| Mean number of rooms .....       | 4.4                     |                | 5.5                    |                | 5.6                         |                |
|                                  | <u>City of Hartford</u> |                | <u>Hartford County</u> |                | <u>State of Connecticut</u> |                |
|                                  | <u>Number</u>           | <u>Percent</u> | <u>Number</u>          | <u>Percent</u> | <u>Number</u>               | <u>Percent</u> |
| Specified owner-occupied units   |                         |                |                        |                |                             |                |
| Less than \$50,000 .....         | 322                     | 4.9            | 1,226                  | 0.7            | 5,996                       | 0.8            |
| \$50,000 to \$99,999 .....       | 3,523                   | 54.2           | 27,699                 | 15.0           | 85,221                      | 11.7           |
| \$100,000 to \$149,999 .....     | 1,765                   | 27.2           | 67,455                 | 36.4           | 212,010                     | 29.1           |
| \$150,000 to \$199,999 .....     | 390                     | 6.0            | 43,460                 | 23.5           | 156,397                     | 21.5           |
| \$200,000 to \$299,999 .....     | 257                     | 4.0            | 30,950                 | 16.7           | 137,499                     | 18.9           |
| \$300,000 to \$499,999 .....     | 172                     | 2.6            | 11,427                 | 6.2            | 79,047                      | 10.9           |
| \$500,000 or more .....          | <u>71</u>               | <u>1.1</u>     | <u>2,799</u>           | <u>1.5</u>     | <u>52,074</u>               | <u>7.1</u>     |
| Total .....                      | 6,500                   | 100.0          | 185,016                | 100.0          | 728,244                     | 100.0          |
| Median value .....               | \$93,900                | -              | \$147,300              | -              | \$166,900                   | -              |

Source: U.S. Department of Commerce, Bureau of the Census, Census of Population and Housing, 2000.

### Number and Size of Households

| <u>Household Characteristics</u>      | <u>City of Hartford</u> |                | <u>Hartford County</u> |                | <u>State of Connecticut</u> |                |
|---------------------------------------|-------------------------|----------------|------------------------|----------------|-----------------------------|----------------|
|                                       | <u>Number</u>           | <u>Percent</u> | <u>Number</u>          | <u>Percent</u> | <u>Number</u>               | <u>Percent</u> |
| Persons in households .....           | 116,223                 | -              | 830,338                | -              | 3,297,626                   | -              |
| Persons per household (average) ..... | 2.58                    | -              | 2.48                   | -              | 2.53                        | -              |
| Persons per family (average) .....    | 3.33                    | -              | 3.05                   | -              | 3.08                        | -              |
| Family households .....               | 27,189                  | 60.4           | 222,356                | 66.4           | 881,170                     | 67.7           |
| Non-family households .....           | <u>17,797</u>           | <u>39.6</u>    | <u>112,742</u>         | <u>33.6</u>    | <u>420,500</u>              | <u>32.3</u>    |
| All households .....                  | 44,986                  | 100.0          | 335,098                | 100.0          | 1,301,670                   | 100.0          |
| Family households by type             |                         |                |                        |                |                             |                |
| Married couple .....                  | 11,355                  | 41.8           | 164,796                | 74.1           | 676,467                     | 76.8           |
| Female householders, no spouse ..     | 13,332                  | 49.0           | 45,404                 | 20.4           | 157,411                     | 17.8           |
| Other .....                           | <u>2,502</u>            | <u>9.2</u>     | <u>12,156</u>          | <u>5.5</u>     | <u>47,292</u>               | <u>5.4</u>     |
| Total family households .....         | 27,189                  | 100.0          | 222,356                | 100.0          | 881,170                     | 100.0          |
| Non-family households by type         |                         |                |                        |                |                             |                |
| Householders living alone .....       | 14,950                  | 84.0           | 93,515                 | 82.9           | 344,224                     | 81.9           |
| Other .....                           | <u>2,847</u>            | <u>16.0</u>    | <u>19,227</u>          | <u>17.1</u>    | <u>76,276</u>               | <u>18.1</u>    |
| Total non-family households .....     | 17,797                  | 100.0          | 112,742                | 100.0          | 420,500                     | 100.0          |

Source: U.S. Department of Commerce, Bureau of the Census, Census of Population and Housing, 2000.

## Value of Construction Activity

| <u>Calendar Year</u>    | <u>Number</u> | <u>Residential</u> | <u>Industrial/<br/>Commercial</u> | <u>Other<sup>1</sup></u> | <u>Total</u>  |
|-------------------------|---------------|--------------------|-----------------------------------|--------------------------|---------------|
| 2008.....               | 4,326         | \$37,250,732       | \$230,080,698                     | \$144,250,143            | \$411,581,573 |
| 2007.....               | 4,328         | 23,846,030         | 84,367,870                        | 282,988,682              | 391,202,582   |
| 2006.....               | 4,244         | 36,287,705         | 115,692,401                       | 169,979,430              | 321,959,536   |
| 2005.....               | 3,948         | 18,237,904         | 65,306,060                        | 34,383,656               | 117,927,620   |
| 2004.....               | 2,469         | 15,240,516         | 51,264,014                        | 55,740,900               | 122,245,430   |
| 2003.....               | 1,574         | 22,864,913         | 53,690,851                        | 196,790                  | 76,752,554    |
| 2002.....               | 1,704         | 23,224,448         | 74,192,146                        | 1,678,788                | 99,095,382    |
| 2001.....               | 2,073         | 19,608,541         | 68,913,758                        | 16,824,451               | 105,346,750   |
| 2000.....               | 2,000         | 32,689,787         | 96,298,988                        | 38,649,232               | 167,638,007   |
| 1999.....               | 1,995         | 22,908,364         | 67,495,807                        | 13,632,742               | 104,036,913   |
| 1998 <sup>2</sup> ..... | 1,829         | 16,190,707         | 66,577,897                        | 13,842,475               | 96,611,079    |
| 1997.....               | 1,532         | 26,952,596         | 56,292,878                        | 5,156,225                | 88,401,699    |

<sup>1</sup> Municipal and other exempt new construction.

<sup>2</sup> Beginning with calendar year 1998, the method of recording total permits, along with associated value, has been changed to include all permits issued, both initial and additional.

## Employment Data

| <u>Job Sector</u>   | <u>City of Hartford</u> |                | <u>Hartford County</u> |                | <u>State of Connecticut</u> |                |
|---|-------------------------|----------------|------------------------|----------------|-----------------------------|----------------|
|   | <u>Number</u>           | <u>Percent</u> | <u>Number</u>          | <u>Percent</u> | <u>Number</u>               | <u>Percent</u> |
| Manufacturing jobs - total.....   | 4,895                   | 11.5           | 58,973                 | 14.4           | 246,607                     | 14.8           |
| Non-manufacturing:  |                         |                |                        |                |                             |                |
| Agriculture, forestry, fishing,<br>hunting and mining .....                           | 227                     | 0.5            | 1,398                  | 0.3            | 7,445                       | 0.5            |
| Construction.....   | 1,867                   | 4.4            | 20,863                 | 5.1            | 99,913                      | 6.0            |
| Wholesale trade .....   | 1,096                   | 2.6            | 13,839                 | 3.4            | 53,231                      | 3.2            |
| Retail trade .....  | 4,194                   | 10.0           | 43,795                 | 10.7           | 185,633                     | 11.2           |
| Transportation, warehousing and<br>utilities .....                                    | 2,113                   | 5.0            | 16,816                 | 4.1            | 64,662                      | 3.9            |
| Information .....   | 1,090                   | 2.6            | 10,908                 | 2.5            | 55,202                      | 3.3            |
| Finance, insurance, real estate<br>and leasing .....                                  | 4,345                   | 10.2           | 55,987                 | 13.6           | 163,568                     | 9.8            |
| Professional, scientific,<br>management, administrative<br>and waste management ..... | 4,305                   | 10.1           | 37,216                 | 9.1            | 168,334                     | 10.1           |
| Educational, health and<br>social services.....                                       | 9,352                   | 22.0           | 88,992                 | 21.7           | 366,568                     | 22.0           |
| Arts, entertainment, recreation,<br>accommodation and food .....                      | 4,241                   | 10.0           | 24,363                 | 5.9            | 111,424                     | 6.7            |
| Other services .....  | 2,404                   | 5.7            | 17,598                 | 4.3            | 74,499                      | 4.5            |
| Public administration.....  | <u>2,273</u>            | <u>5.4</u>     | <u>20,023</u>          | <u>4.9</u>     | <u>67,354</u>               | <u>4.0</u>     |
| Total non-manufacturing .....   | 37,507                  | 88.5           | 351,798                | 85.6           | 1,417,833                   | 85.2           |
| Total employed persons .....  | 42,402                  | 100.0          | 410,771                | 100.0          | 1,664,440                   | 100.0          |

Source: U.S. Department of Commerce, Bureau of the Census, Census of Population and Housing, 2000.

**Commute to Work  
(16 years of age and over)**

|                                     | <u>City of Hartford</u> |                | <u>Hartford County</u> |                | <u>State of Connecticut</u> |                |
|-------------------------------------|-------------------------|----------------|------------------------|----------------|-----------------------------|----------------|
|                                     | <u>Number</u>           | <u>Percent</u> | <u>Number</u>          | <u>Percent</u> | <u>Number</u>               | <u>Percent</u> |
| Drove alone .....                   | 23,084                  | 56.3           | 332,124                | 82.3           | 1,312,700                   | 80.0           |
| Car pools .....                     | 6,746                   | 16.4           | 36,463                 | 9.0            | 154,400                     | 9.4            |
| Using public transportation .....   | 7,609                   | 18.6           | 14,093                 | 3.5            | 65,827                      | 4.0            |
| Walked .....                        | 2,374                   | 5.8            | 8,499                  | 2.1            | 44,348                      | 2.7            |
| Using other means .....             | 507                     | 1.2            | 2,939                  | 0.7            | 12,130                      | 0.8            |
| Worked at home .....                | <u>689</u>              | <u>1.7</u>     | <u>9,745</u>           | <u>2.4</u>     | <u>51,418</u>               | <u>3.1</u>     |
| Total .....                         | 41,009                  | 100.0          | 403,863                | 100.0          | 1,640,823                   | 100.0          |
| Mean travel to work (minutes) ..... | 24.2                    |                | 21.9                   |                | 24.4                        |                |

Source: U.S. Department of Commerce, Bureau of the Census, Census of Population and Housing, 2000.

**Employed Persons**

|                           | <u>City of Hartford</u> |                   | <u>Percent Unemployed</u> |                                   |                             |
|---------------------------|-------------------------|-------------------|---------------------------|-----------------------------------|-----------------------------|
|                           | <u>Employed</u>         | <u>Unemployed</u> | <u>City of Hartford</u>   | <u>Hartford Labor Market Area</u> | <u>State of Connecticut</u> |
| Annual Average 2008 ..... | 45,436                  | 4,671             | 9.3                       | 5.8                               | 5.7                         |
| Annual Average 2007 ..... | 44,534                  | 4,367             | 8.9                       | 5.1                               | 5.9                         |
| Annual Average 2006 ..... | 44,044                  | 4,178             | 8.7                       | 4.4                               | 4.3                         |
| Annual Average 2005 ..... | 41,126                  | 5,037             | 10.9                      | 5.7                               | 5.3                         |
| Annual Average 2004 ..... | 42,900                  | 4,835             | 10.1                      | 5.2                               | 4.9                         |
| Annual Average 2003 ..... | 45,821                  | 5,971             | 11.5                      | 5.9                               | 5.5                         |
| Annual Average 2002 ..... | 49,746                  | 4,422             | 8.2                       | 4.5                               | 4.3                         |
| Annual Average 2001 ..... | 48,970                  | 3,453             | 6.6                       | 3.3                               | 3.3                         |
| Annual Average 2000 ..... | 50,246                  | 2,561             | 4.8                       | 2.4                               | 2.3                         |
| Annual Average 1999 ..... | 48,547                  | 3,308             | 6.4                       | 3.3                               | 3.2                         |
| Annual Average 1998 ..... | 49,403                  | 3,607             | 6.8                       | 3.4                               | 3.4                         |

Source: Based on U.S. Department of Labor and Employment Security Division, Labor Department, State of Connecticut.

## Major Employers Located in the Greater Hartford Area

| <u>Employer</u>                                    | <u>Industry</u>                     | <u>Location</u> | <u>Employees</u> |
|--|-------------------------------------|-----------------|------------------|
| State of Connecticut .....                         | Government                          | Hartford        | 53,129           |
| United Technologies Corp. ....                     | Diversified manufacturer            | Hartford        | 26,400           |
| The Hartford Financial Services<br>Group .....     | Insurance, financial services       | Hartford        | 12,600           |
| Aetna Inc. ....                                    | Health insurance                    | Hartford        | 7,366            |
| The Travelers Cos. Inc. ....                       | Property/casualty insurance         | Hartford        | 6,200            |
| Hartford Hospital .....                            | General hospital                    | Hartford        | 5,100            |
| Bank of America .....                              | Banking/financial services          | MetroHartford   | 5,100            |
| John Dempsey Hospital .....                        | General hospital                    | Farmington      | 5,000            |
| Northeast Utilities .....                          | Electric utility                    | Hartford        | 4,148            |
| University of Connecticut .....                    | State university                    | Storrs          | 4,000            |
| CIGNA Corp. ....                                   | Insurance                           | Bloomfield      | 3,833            |
| Saint Francis Hospital and<br>Medical Center ..... | General hospital                    | Hartford        | 3,466            |
| ESPN.....  | Media                               | Bristol         | 3,000            |
| The Hospital of Central Conn. ....                 | General hospital                    | New Britain     | 3,000            |
| UnitedHealth Group (Uniprise) ....                 | Health insurance                    | Hartford        | 2,300            |
| Cianbro Corp.....                                  | General contractor                  | Bloomfield      | 2,200            |
| Mass Mutual Financial Group .....                  | Insurance                           | Enfield         | 1,900            |
| ING Group .....                                    | Financial services                  | Hartford        | 1,800            |
| MetLife .....                                      | Insurance                           | Hartford        | 1,750            |
| Eastern CT Health Network .....                    | General hospital                    | Manchester      | 1,570            |
| AT&T .....   | Telecommunications                  | MetroHartford   | 1,497            |
| ABB, Inc. ....                                     | Fossil and nuclear power generation | Windsor         | 1,400            |
| Kaman Corporation.....                             | Diversified manufacturer            | Bloomfield      | 1,320            |
| Stanley Works .....                                | Hardware manufacturer               | New Britain     | 1,300            |
| J.C. Penney Company, Inc. ....                     | Catalog and retail distribution     | Manchester      | 1,300            |
| Lydall, Inc.                                       | Fiber material, specialty papers    | Manchester      | <u>1,193</u>     |
| TOTAL  |                                     |                 | 161,872          |

Source: Metro Hartford Chamber of Commerce 2009

## Commercial Real Estate Market Analysis

### Vacant Space

| <u>Type</u>                       | <u>3rd Qtr. 2007</u>     |                             | <u>3rd Qtr. 2008</u>     |                             | <u>2nd Qtr. 2009</u>     |                             |
|-----------------------------------|--------------------------|-----------------------------|--------------------------|-----------------------------|--------------------------|-----------------------------|
|                                   | <u>Total Square Feet</u> | <u>Overall Vacancy Rate</u> | <u>Total Square Feet</u> | <u>Overall Vacancy Rate</u> | <u>Total Square Feet</u> | <u>Overall Vacancy Rate</u> |
| City of Hartford Office           | 7,865,779                | 17.6%                       | 7,971,717                | 17.1%                       | 7,976,110                | 22%                         |
| Hartford's Class "A" ..           | 6,106,233                | 12.5%                       | 6,198,671                | 12.7%                       | 6,178,792                | 19%                         |
| Regional Office .....             | 25,627,628               | 17.1%                       | 25,443,463               | 16%                         | 25,636,255               | 17.5%                       |
| City of Hartford Industrial ..... | 5,378,451                | 11.9%                       | 5,039,811                | 14.2%                       | 5,037,381                | 8.8%                        |
| Regional Industrial ....          | 85,221,557               | 9.9 %                       | 86,709,918               | 9.7%                        | 86,745,026               | 12.1%                       |

Source: Cushman & Wakefield of Connecticut, Inc.

### Land Use Breakdown

| <u>Land Use Category</u>           | <u>Acres</u>    | <u>Percent</u> |
|------------------------------------|-----------------|----------------|
| 1-3 family residential .....       | 2,372.35        | 20.6           |
| 4-6 family residential .....       | 209.54          | 1.8            |
| Over 6 family residential .....    | 697.36          | 6.1            |
| Office/commercial .....            | 292.14          | 2.5            |
| Business .....                     | 1,104.76        | 9.6            |
| Institutional and government ..... | 1,673.02        | 14.5           |
| Industry .....                     | 283.14          | 2.5            |
| Open space, park, cemetery .....   | 1,531.80        | 13.3           |
| Vacant land and buildings .....    | 1,022.69        | 8.9            |
| Streets and transportation .....   | <u>2,314.30</u> | <u>20.1</u>    |
| Total .....                        | 11,501.10       | 100.0          |

Source: City Assessor

## SECTION IV - DEBT SECTION

### Debt Authorization

Title 7 of the Connecticut General Statutes, Revision of 1958, as amended, authorizes the City to issue bonds, notes and other obligations.

Under the City Charter, bonds shall be authorized by an ordinance approved by the affirmative vote of at least six members of the Common Council. If the total estimated cost of any improvement for which bonds are proposed to be issued exceeds \$2 million, and if the full faith and credit of the City shall be pledged to the payment of any portion of the principal and interest on the bonds, the ordinance authorizing the issuance of bonds shall be subject to the approval of a majority vote of City electors voting thereon, if, within 30 days after published notice of the enactment by the Common Council, a sufficient petition is filed with the City Clerk requesting that such ordinance be either repealed or submitted to a vote of the electors. In order for the petition to be sufficient it must be signed in ink by not less than 3% of the City electors. Notes in anticipation of taxes shall be authorized by ordinance upon the affirmative vote of the Common Council.

### Limitation of Indebtedness

Under Connecticut law, municipalities shall not incur indebtedness through the issuance of general obligation bonds that will cause aggregate indebtedness by class to exceed the following:

- General Purpose: 2.25 times annual receipts from taxation.
- School Purpose: 4.50 times annual receipts from taxation.
- Sewer Purpose: 3.75 times annual receipts from taxation.
- Urban Renewal Purpose: 3.25 times annual receipts from taxation.
- Pension Deficit Funding: 3.00 times annual receipts from taxation.

In no case, however, shall total indebtedness exceed seven times annual receipts from taxation.

“Annual receipts from taxation” is defined as total tax collections (including interest and penalties) and State payments in lieu of taxes under Connecticut General Statutes Sections 12-129d and 7-528 for the most recent fiscal year next preceding the date of issue.

The statutes also provide for certain exclusions of debt issued in anticipation of taxes, for the supply of water, supply of gas, supply of electricity, construction of subways for cables, wires and pipes, for the construction of underground conduits for cables, wires and pipes and for two or more of such purposes; for indebtedness issued in anticipation of the receipt of proceeds from assessments levied upon property benefited by any public improvement; and for indebtedness issued in anticipation of the receipt of proceeds from State or federal grants evidenced by a written commitment or contract but only to the extent such indebtedness can be paid from such proceeds.

**Statement of Statutory Debt Limitation and Debt Margin**

**Pro Forma as of September 30, 2009<sup>1</sup> (In Thousands)**

**Computation of Statutory Debt Limit and Debt Margin**

The following table sets forth the computation of the statutory debt limit of the City and the debt incurring margin as of September 30, 2009<sup>1</sup>, adjusted to give effect to this financing:

|   |                  |
|---|------------------|
| Total Fiscal Year 2008 tax collections (including interest and penalties) ..... | \$222,657        |
| State reimbursement for tax relief for elderly – freeze .....                   | <u>10</u>        |
| Base for Establishing Debt Limit .....  | <u>\$222,667</u> |

|   | <u>General Purpose</u> | <u>Schools</u>              | <u>Sewers</u>    | <u>Urban Renewal</u> | <u>Pension Deficit</u> | <u>Total Debt</u>           |
|---|------------------------|-----------------------------|------------------|----------------------|------------------------|-----------------------------|
| <b>Statutory Debt Limit</b>   |                        |                             |                  |                      |                        |                             |
| General Purpose<br>(2.25 times base)                                | \$501,001              |                             |                  |                      |                        |                             |
| Schools<br>(4.50 times base)  |                        | \$1,002,002                 |                  |                      |                        |                             |
| Sewers<br>(3.75 times base)   |                        |                             | \$835,001        |                      |                        |                             |
| Urban Renewal<br>(3.25 times base)                                  |                        |                             |                  | \$723,668            |                        |                             |
| Unfunded Past Pension<br>(3.00 times base)                          |                        |                             |                  |                      | <u>\$668,001</u>       |                             |
| Total Debt Limitation<br>(7.00 times base)                          | <u>\$501,001</u>       | <u>\$1,002,002</u>          | <u>\$835,001</u> | <u>\$723,668</u>     | <u>\$668,001</u>       | <u>\$1,558,669</u>          |
| <b>Actual Indebtedness</b>  |                        |                             |                  |                      |                        |                             |
| Bonds Payable <sup>2</sup>  | \$181,415              | \$118,750                   |                  |                      |                        | \$300,165                   |
| Notes Payable   |                        | 10,000                      |                  |                      |                        | 10,000                      |
| The Bonds ( <i>This Issue</i> )                                     | 4,690                  | 7,460                       |                  |                      |                        | 12,150                      |
| The Notes ( <i>This Issue</i> )                                     | 5,000                  |                             |                  |                      |                        | 5,000                       |
| Authorized but<br>Unissued Debt                                     | 125,331                | 78,482                      | \$578            |                      |                        | 204,391                     |
| Overlapping Debt  |                        |                             | 39,173           |                      |                        | 39,173 <sup>3</sup>         |
| Clean Water Fund<br>Permanent Loan<br>Obligation ("CWF PLO")        |                        |                             | 1,785            |                      |                        | 1,785                       |
| School Building Grants<br>Receivable (estimated)                    |                        | <u>(85,771)<sup>4</sup></u> |                  |                      |                        | <u>(85,771)<sup>4</sup></u> |
| Total Indebtedness  | <u>\$316,436</u>       | <u>\$128,921</u>            | <u>\$ 41,536</u> | <u>\$0</u>           | <u>\$0</u>             | <u>\$486,893</u>            |
| <b>Excess of Limit Over<br/>Outstanding and<br/>Authorized Debt</b> | <u>\$184,565</u>       | <u>\$873,081</u>            | <u>\$793,465</u> | <u>\$723,668</u>     | <u>\$668,001</u>       | <u>\$1,071,776</u>          |

<sup>1</sup>Does not include grants received since July 1, 2009.

<sup>2</sup>Excludes the Refunded Bonds

<sup>3</sup>City's share of MDC debt as of September 30, 2009.

<sup>4</sup>School building grants receivable is estimated based on reimbursement percentages for projects to be constructed, plus \$16.7 million applicable to outstanding bond issues.

Note: Total indebtedness above amounts to \$487.508 million but in no event shall total indebtedness exceed \$1.6 billion (seven times the base for debt limitation computation).

**Annual Bonded Debt Maturity Schedule**  
**Pro Forma as of September 30, 2009**

| <b>Fiscal Year Ending June 30</b> | <b>Principal Payments<sup>1</sup></b> | <b>Interest Payments<sup>1</sup></b> | <b>Total Payments</b> | <b>Percent Cumulative Principal Retired</b> | <b>The Bonds</b> | <b>State School Building Grants (Principal Only<sup>2</sup>)</b> | <b>Net Projected Principal Payments</b> |
|-----------------------------------|---------------------------------------|--------------------------------------|-----------------------|---|------------------|--|---|
| 2010                              | \$6,890,000                           | \$ 8,406,793                         | \$15,296,793          | 2.30%                                       | 0                | 1,612,000  | \$5,278,000                             |
| 2011                              | 21,205,000                            | 13,806,810                           | 35,011,810            | 9.36%                                       | 1,435,000        | 1,793,000  | 20,847,000                              |
| 2012                              | 21,260,000                            | 12,812,470                           | 34,072,470            | 16.44%                                      | 1,390,000        | 1,789,000  | 20,861,000                              |
| 2013                              | 21,070,000                            | 11,765,394                           | 32,835,394            | 23.46%                                      | 1,355,000        | 1,788,000  | 20,637,000                              |
| 2014                              | 20,420,000                            | 10,758,085                           | 31,178,085            | 30.27%                                      | 1,345,000        | 1,786,000  | 19,979,000                              |
| 2015                              | 20,490,000                            | 9,829,482                            | 30,319,482            | 37.09%                                      | 1,325,000        | 1,779,000  | 20,036,000                              |
| 2016                              | 20,585,000                            | 8,832,295                            | 29,417,295            | 43.95%                                      | 1,325,000        | 2,019,000  | 19,891,000                              |
| 2017                              | 19,660,000                            | 7,845,825                            | 27,505,825            | 50.50%                                      | 1,325,000        | 1,511,000  | 19,474,000                              |
| 2018                              | 18,505,000                            | 6,890,503                            | 25,395,503            | 56.66%                                      | 1,325,000        | 886,000  | 18,944,000                              |
| 2019                              | 17,095,000                            | 6,013,696                            | 23,108,696            | 62.36%                                      | 1,325,000        | 570,000  | 17,850,000                              |
| 2020                              | 17,195,000                            | 5,160,306                            | 22,355,306            | 68.09%                                      | 0                | 438,000  | 16,757,000                              |
| 2021                              | 16,265,000                            | 4,334,170                            | 20,599,170            | 73.51%                                      | 0                | 221,000  | 16,044,000                              |
| 2022                              | 15,330,000                            | 3,570,714                            | 18,900,714            | 78.61%                                      | 0                | 0  | 15,330,000                              |
| 2023                              | 15,450,000                            | 2,837,681                            | 18,287,681            | 83.76%                                      | 0                | 0  | 15,450,000                              |
| 2024                              | 15,365,000                            | 2,096,414                            | 17,461,414            | 88.88%                                      | 0                | 0  | 15,365,000                              |
| 2025                              | 13,875,000                            | 1,392,873                            | 15,267,873            | 93.50%                                      | 0                | 0  | 13,875,000                              |
| 2026                              | 9,480,000                             | 821,950                              | 10,301,950            | 96.66%                                      | 0                | 0  | 9,480,000                               |
| 2027                              | 5,795,000                             | 356,375                              | 6,151,375             | 98.59%                                      | 0                | 0  | 5,795,000                               |
| 2028                              | 2,115,000                             | 158,625                              | 2,273,625             | 99.30%                                      | 0                | 0  | 2,115,000                               |
| 2029                              | <u>2,115,000</u>                      | <u>52,875</u>                        | <u>2,167,875</u>      | 100.00%                                     | <u>0</u>         | <u>0</u>   | <u>2,115,000</u>                        |
| Total                             | \$300,165,000                         | \$117,743,334                        | \$417,908,334         |   | \$12,150,000     | \$16,659,000   | \$296,123,000                           |

<sup>1</sup>Excludes the Refunded Bonds

<sup>2</sup>Does not include grants received since July 1, 2009.

**Current Debt Statement**  
**As of September 30, 2009<sup>1</sup>**  
**(Pro Forma)**

|  |                     |
|--|---------------------|
| Long-term Debt ( <i>Excludes Refunded Bonds</i> )..... | \$300,165,000       |
| Refunding Bonds ( <i>This Issue</i> ).....             | 12,150,000          |
| CWF PLO .....  | 1,785,000           |
| Short-term Debt Outstanding .....                      | 10,000,000          |
| The Notes ( <i>This Issue</i> ) .....                  | <u>40,000,000</u>   |
| Total Direct Debt .....                                | \$364,100,000       |
| Less: School Construction Grants -                     |                     |
| State of Connecticut <sup>2</sup> .....                | <u>(16,659,261)</u> |
| Total Net Direct Indebtedness .....                    | \$347,440,739       |
| Net Overlapping Debt - MDC 9/30/2009 .....             | <u>\$39,172,868</u> |
| Total Overall Direct Net Debt .....                    | \$386,613,607       |

<sup>1</sup>Does not include debt service payments made or grants received since July 1, 2009.

<sup>2</sup>Represents School Construction Grants payable to the City over the life of certain school bond issues.

Note: Does not include authorized but unissued debt.

**Current Debt Ratios  
As of September 30, 2009<sup>1</sup>  
(Pro Forma)**

|   |                 |
|---|-----------------|
| Population <sup>2</sup> .....   | 124,563         |
| Net Taxable Grand List - 10/1/08 @ 70% of full value <sup>3</sup> ..... | \$3,468,906,129 |
| Estimated Full Value.....   | \$5,012,811,333 |
| Equalized Net Taxable Grand List (2006) <sup>4</sup> .....              | \$5,617,517,672 |
| Money Income per Capita <sup>5</sup> .....                              | \$13,428        |

|  | <b>Total<br/>Direct Debt<br/><u>\$364,100,000</u></b> | <b>Total Net<br/>Direct Debt<br/><u>\$347,440,739</u></b> | <b>Total<br/>Net Debt<br/><u>\$386,613,607</u></b> |
|--|---|---|--|
| Per Capita .....                             | \$2,923.02  | 2,789.28  | \$3,103.76   |
| Ratio to Net Taxable Grand List .....        | 10.50%  | 10.02%  | 11.15%   |
| Ratio to Estimated Full Value .....          | 7.26%   | 6.93%   | 7.71%  |
| Ratio to Equalized Net Taxable Grand List .. | 6.48%   | 6.18%   | 6.88%  |
| Per Capita to Money Income Per Capita .....  | 21.77%  | 20.77%  | 23.11%   |

<sup>1</sup> Numbers used for calculation of ratios do not include grants received since July 1, 2009.

<sup>2</sup> Connecticut Department of Health Services, 2007, for City of Hartford.

<sup>3</sup> Excludes Supplemental Motor Vehicle.

<sup>4</sup> Office of Policy and Management, State of Connecticut.

<sup>5</sup> U.S. Department of Commerce, Bureau of Census, 2000, for City of Hartford.

**Authorized but Unissued Debt**

As of September 30, 2009 the City had \$236,891,087 authorized and unissued debt. Of that amount \$138,999,178 is for various public improvement and sewer projects and \$97,981,909 is for school projects. See "State School Construction Grants" herein).

**Ratio of Annual Debt Service Expenditures for General Fund Bonded Debt to General Fund Expenditures  
Last Five Fiscal Years**

| <b>Fiscal Year<br/>Ended</b> | <b><u>Principal</u></b> | <b><u>Interest</u></b> | <b>Total Debt<br/><u>Service</u></b> | <b>Total General<br/>Fund<br/><u>Expenditures</u></b> | <b>Ratio of Debt<br/>Service to<br/>General Fund<br/><u>Expenditures</u></b> |
|------------------------------|-------------------------|------------------------|--------------------------------------|---|--|
| 2008.....                    | \$18,945,000            | \$13,896,000           | \$32,841,000                         | \$521,742,000   | 6.29   |
| 2007.....                    | \$16,500,000            | \$11,030,307           | \$28,530,307                         | \$496,884,000   | 5.74   |
| 2006.....                    | \$14,870,000            | \$11,029,000           | \$25,899,000                         | \$451,342,000   | 5.74   |
| 2005 .....                   | \$14,150,000            | \$5,997,000            | \$20,147,000                         | \$434,927,000   | 4.63   |
| 2004 .....                   | \$14,515,000            | \$6,700,000            | \$21,215,000                         | \$414,446,000   | 5.12   |

**Bonds Outstanding  
Last Five Fiscal Years Ended June 30**

| <b><u>2008</u></b> | <b><u>2007</u></b> | <b><u>2006</u></b> | <b><u>2005</u></b> | <b><u>2004</u></b> |
|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$308,105,000      | \$327,050,000      | \$273,550,000      | \$218,420,000      | \$164,620,000      |

## Overlapping Debt

The City is a member of The Metropolitan District Commission (the "MDC"), a special district in Hartford County, formed under State statutes to provide water and sanitary sewer services to its eight member municipalities. Water services are provided directly by the MDC and billed to the users. As of September 30, 2009, the total outstanding debt of the MDC was \$141,879,276 of which the City of Hartford is responsible for \$39,172,868 or 27.61%.

The MDC was cited by the U.S. Environmental Protection Agency (USEPA) and the United States Department of Justice (USDOJ) for overflows for the sewer systems in West Hartford, Newington, Wethersfield Rocky Hill and Windsor. The MDC was fined \$850,000 and signed a Consent Decree to cease all overflows within twelve years (by the year 2020). The MDC also negotiated a Consent Order with the Connecticut Department of Environmental Protection (CTDEP) to control the Combined Sewer Overflows ("CSO") located in the Hartford sewer system within fifteen years (by the year 2022).

The MDC has conducted studies of the CSO under the direction of the CDEP. A plan for abating these pollution sources, called the Clean Water Project, has been prepared by consultants to the MDC. The plan combines several abatement strategies including new sewers, removal of storm water flows during storm events, and additional treatment capacity. Completion of these system improvements will require a construction program of at least fifteen years.

On November 7, 2006, voters in the eight member towns overwhelmingly approved a referendum authorizing the MDC to appropriate \$800,000,000 for the Clean Water Project to be financed by the issuance of bonds. The MDC is pursuing state funding from the Clean Water Fund and federal funding from Congress to assist with the cost of the project. The total cost for the program is expected to be in excess of \$1,600,000,000 and a future authorization from the voters will be required. The MDC has adopted a special sewer service charge for customers who utilize the District's sewer system and are furnished water directly by the MDC. The bonds issued or which may be issued and other loans, including State of Connecticut Clean Water Fund loans, to finance all costs associated with the Clean Water Project. Bonds and other loans used to finance the Clean Water Project that are supported by the special sewer service charge will not be included in the calculation of overlapping debt since they are not supported by the ad valorem taxes of the City.

### *Metropolitan District Statement of Overlapping Debt Pro Forma as of September 30, 2009*

|  |              |
|--|--------------|
| Net Overlapping Debt for All Member Towns..... | 141,879,276  |
| Hartford's Percent of Overlapping Debt.....    | 27.61%       |
| Hartford's Share of Overlapping Debt.....      | \$39,172,868 |

Source: Metropolitan District Commission

The City and the MDC are also joint participants in a \$9,600,000 combined sewer overflow ("CSO") project related to the discharge of storm water from the City's Tower Brook conduit into the MDC's sewer. The project has been financed by 2% loans and grants under the State of Connecticut's Clean Water Fund program. The City appropriated \$4,800,000 and authorized bonds in the amount of \$2,500,000 for its share of the project. The City issued a Permanent Loan Obligation (PLO) under the State's Clean Water Fund program in the amount of \$1,921,858.99, of that amount \$1,785,000.00 is currently outstanding.

## Special Revenue Obligations

**\$38,345,000 Multi-Family Housing Revenue Refunding Bonds (Underwood Towers Project) Series 1990.** Tax-exempt bonds were issued to refund outstanding 1984 Series Multi-Family Housing Mortgage Revenue Bonds in the amount of \$39,961,946. The proceeds of the 1984 Bonds were used to finance two 26-story residential towers containing 451 mostly market-rate rental units. The bonds are secured by a private

insurance policy issued by Financial Security Assurance, Inc. ("FSA") and mortgage insurance through FHA. The refunding bonds were dated June 29, 1990 with a final maturity of June 1, 2020.

The above referenced bonds are special limited obligations of the City, acting by and through the Redevelopment Agency of the City of Hartford (the "City") and are payable solely from the revenues and assets pledged therefore pursuant to the Indenture of Trust for such bonds (the "Indenture"). Neither the United States, the State of Connecticut, the City nor any other political subdivision has any liability for the payment of principal of and interest on the bonds or the performance of any pledge, obligation or agreement of any kind whatsoever of the City and none of the bonds nor any of the City's agreements or obligations shall be construed to constitute an indebtedness of the United States of America, or any department or agency thereof, the State of Connecticut, the City of Hartford, or any other political subdivision or body corporate and politic of the State of Connecticut within the meaning of any constitutional or statutory provision.

### **Lease Obligations**

In addition to bonded debt, the City has entered into various leases and lease/purchase agreements for office space, equipment, and rolling stock to support its operations.

The City entered into a 10-year lease commencing in 2001 for the rental of office and storage space from the Hartford Downtown Revival, LLC for the Board of Education. Future minimum lease payments are projected at \$834,000 per year for Fiscal Years ending 2009 through 2010.

The City entered into a 15-year lease on July 1, 2002 for the rental of office space from the Connecticut Constitution Associates, LLC for various City departments and agencies. Future minimum lease payments are projected at \$1,000,000 per year for Fiscal Years ending 2008 through 2013. At the beginning of year eleven, the base rent will be increased by an amount equal to the product of the base rent times 100% of the percentage increase, if any, of the CPI over the CPI at the commencement date or the first day of the eleventh lease year, as the case may be.

The City has entered into a lease for a building at 875 Asylum Avenue for use as a Board of Education administration building and as additional classroom space for West Middle School. The initial lease term is seven years terminating on June 30, 2012, with an option to renew for five years. The basic rent for the first four years is \$234,480 and for the remainder of the initial term is \$293,000. The City entered into a 20-year lease agreement commencing September 1, 2007 for the rental of rooftop space and equipment shed to operate four rooftop antennas at 777 Main Street. The first year rent is \$14,400 payable to Grunberg 777 Main LLC. After the first year, the rent shall increase \$42.00 per month during each subsequent year. In addition, the City will reimburse the lessor actual sub meter electrical fees.

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## SECTION V - FINANCIAL SECTION

### Significant City Accounting Policies

The financial statements of the City have been prepared in conformity with the accounting principles generally accepted in the United States of America ("GAAP") as applied to government units.

The City's audited financial statements for June 30, 2006 included statements established under the new Government Accounting Standards Board ("GASB") No. 34 policy. The reported Internal Service Funds of the City include self-insured funds for employee benefits, workers' compensation, and liability and property damage. Pension Trust Funds account for the Municipal Employees' Retirement System. The Hartford Parking Authority and Hartford Economic Development Commission are considered discretely presented component units and as such have been included in the City's reporting as government fund types in accordance with GAAP.

The City finances are organized on a fund accounting basis with separate funds established for general operating expenses, capital improvement projects, debt service, special revenues, various trusts, enterprise operations, and general fixed assets. The accounting records of the government-wide financial statements, as well as the enterprise funds, internal service funds and pension trust funds are maintained on an accrual basis, which records revenues when earned and expenses when incurred. The accounting records of the general fund, special revenue funds, and the debt service fund are maintained on a modified accrual basis which records revenues in cash and those revenues that are susceptible to accrual which are measurable and available but not received at the normal time of deposit. Budgetary expenditures consist of the disbursements and encumbrances.

The financial statements and tables found in the City's Comprehensive Annual Financial Report conform to the high standards promulgated by GASB. The City has been awarded a Certificate of Excellence in Financial Reporting by the Government Finance Officers' Association virtually each year since 1954 and was again recently recognized for the Fiscal Year ended June 30, 2007.

For additional information on accounting policies, financial statements, and tables refer to the 2007-2008 Financial Statements, "Notes to Financial Statements," incorporated in this Official Statement and the independent auditor's report.

### Budget Adoption

The City adopts an annual budget for the operation of the General Fund. Under the Charter, the Mayor prepares and submits the recommended annual budget to the Common Council for approval.

For the 2008-2009 budget, the City did not follow the traditional approach to budgeting that uses the prior year's budget as a starting point or base and makes changes to it incrementally. Instead, consistent with a decision made in 2005-06, the City has moved to a model that combines elements from several budget approaches that have evolved in both the private and public sectors. All of these approaches (Zero Based, Program Based, Output Based, Performance Based, Priorities Based) not only share common elements but also build on one another. The 2007-08 budget followed the same approach. The combined elements that have been included in the Hartford budget model include:

- The budget process starts from a zero base. Previous year's costs are not used.
- The Mayor identifies goals, strategies and outcomes.
- Departments identify programs and activities to carry out the goals and strategies.
- Costs are identified by programs.
- Departments develop activity descriptions that tell what an activity does, for whom and why it is valuable.
- Departments prepare budget proposals that indicate the proposed cost and expected result for each program.
- Departments prioritize spending to focus on services that matter the most or are legally mandated.
- The Mayor evaluates all departments and activities.
- The Mayor's recommended budget is the result of the acceptance and approval of activities.

The Common Council may insert new items of expenditures or may increase, decrease, or strike out items of expenditures, except that no appropriation for debt service and no appropriation necessary to fulfill the obligations of the City as determined by the Pension Commission shall be reduced. The Common Council shall not increase the Mayor's estimates of receipts. It may, however, decrease the amount of the tax levy for the ensuing fiscal year as proposed by the Mayor in proportion to such decrease in the total of expenditures proposed by the Mayor as it may have determined. If it shall increase the total proposed expenditures, such increase shall be reflected in full in the tax rate. At least one month before the end of the current fiscal year, the Common Council shall adopt the budget, the appropriation ordinance, and the tax levy ordinance.

### **Investment Practices**

In accordance with the Connecticut General Statutes, the Common Council designates the qualified public depositories and financial service providers that the City Treasurer may use for General Fund public deposits and investments. Eligible investments for Connecticut municipalities are governed by the Connecticut General Statutes, Section 7-400. The City Treasurer invests the City's operating and working capital funds accordingly.

In addition, the City Treasurer monitors the risk-based capital ratios and collateral requirements of the qualified public depositories, as defined by the Connecticut General Statutes, Section 36-382, in which it places deposits or makes investments. See Appendix A - "Auditors' Section, Notes to Financial Statements" herein regarding the City's cash and cash equivalents and investments.

The operating and working capital funds are invested at the direction of the City Treasurer in bank certificates of deposit, bank money-market funds, the State of Connecticut's Short-term Investment Fund ("STIF"), and, from time to time, negotiated repurchase agreements with various providers. These investment vehicles consist of U.S. Treasuries, obligations of government agencies and repurchase agreements collateralized by U.S. Treasuries and agency obligations. STIF was authorized in 1978 (P.A. 78-236) for investment by the State Treasurer of various State funds. Section 3-27a of the Connecticut General Statutes spells out the various governmental entities eligible to participate in STIF. Section 3-27d details eligible investments that may be acquired with funds on deposit with STIF. Section 3-27f authorizes all agencies, instrumentalities, and political subdivisions in the State of Connecticut to invest in STIF.

In addition to the Connecticut General Statutes governing eligible investments, the City has its own investment policy. This document sets forth the "prudent person" standard of care; defines investment objectives as safety of principal, liquidity, and return on investment; imposes certain diversification guidelines; and applies the City's Code of Ethics to investment activities.

Under the authority of Chapter XII, Section 1 of the Charter, the pension funds for City employees are invested as recommended by the independently elected City Treasurer, who serves ex-officio as Secretary of the Pension Commission. Investments for the Municipal Employees' Retirement Fund ("MERF") are made in accordance with the MERF's Funding and Investment Policy Statement, which addresses investment objectives, asset allocation, and investment guidelines, among other things. In a market cycle, the MERF's overall rate of return is expected to be equal to or exceed the rate assumed by sound actuarial principles and to exceed inflation by at least 350 basis points. The MERF's investment managers' performance records are monitored in comparison to market-based benchmarks on an ongoing basis, and independent reviews of the MERF's asset allocation and its experience study are undertaken at least every three to five years, with a complete actuarial valuation of the plan performed annually. Under the Funding and Investment Policy Statement, the asset allocation is 50% equities, including 19% to 31% international equities, 50% fixed income, including an allocation to global fixed income and emerging market debt of 9.5% to 12.5% and 4% to 10% alternative investments including real estate. The general guidelines notably include the MERF's expectation that the investment managers' philosophy and style will remain consistent and specify that buying on margin, short sales, and the purchase or sales of derivatives are prohibited. Guidelines are also defined for the various asset classes.

## Statement of General Fund Revenues and Expenditures

(In Thousands)

The General Fund revenues, expenditures, and changes in fund balance for the Fiscal Years ended June 30, 2005 through 2008 have been derived from audited financial statements and are presented on a GAAP basis. The City's audited financial statements for the Fiscal Year ended June 30, 2008 are attached hereto as Appendix A. The City has not asked for, nor has it received, permission from its auditors, Blum Shapiro, to include such audited financial statements in this Official Statement. The adopted budget for Fiscal Year ending 2010 is provided by the City and is presented on a budgetary basis. The City's independent accountants have not examined, reviewed or compiled any of the estimates presented below or expressed any conclusion or provided any other form of assurance with respect to such estimates, and accordingly, assume no responsibility for them. The financial information presented herein is the responsibility of the City's management.

|   | <u>Adopted<br/>Budget 2009-10</u> | <u>Estimated<br/>2008-09</u> | <u>Actual<br/>2007-08</u> | <u>Actual<br/>2006-07</u> | <u>Actual<br/>2005-06</u> | <u>Actual<br/>2004-05</u> |
|---|-----------------------------------|------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| <b>Revenues</b>   |                                   |                              |                           |                           |                           |                           |
| General property tax .....  | \$263,017                         | \$250,064                    | \$232,955                 | \$231,638                 | \$208,241                 | \$197,028                 |
| Licenses, permits and<br>other charges .....  | 8,052                             | 8,187                        | 9,850                     | 8,594                     | 10,058                    | 9,681                     |
| Use of money and property .   | 4,288                             | 4,591                        | 6,008                     | 3,510                     | 4,085                     | 5,828                     |
| Intergovernmental revenue .   | 247,270 <sup>1</sup>              | 249,016 <sup>1</sup>         | 341,042                   | 250,108                   | 242,112                   | 225,698                   |
| Charges for services .....  | 3,182                             | 2,869                        | 2,194                     | 2,599                     | 2,628                     | 2,301                     |
| Reimbursements .....  | 3,556                             | 5,048                        | 0                         | 0                         | 2,661                     | 0                         |
| Other revenues .....  | <u>1,961</u>                      | <u>1,805</u>                 | <u>6,917</u>              | <u>8,479</u>              | <u>6,276</u>              | <u>6,369</u>              |
| <b>Total revenues</b> .....   | <b>\$531,326<sup>1</sup></b>      | <b>\$521,580</b>             | <b>\$598,966</b>          | <b>\$504,928</b>          | <b>\$476,061</b>          | <b>\$446,905</b>          |
| <b>Expenditures</b>   |                                   |                              |                           |                           |                           |                           |
| General government .....  | \$20,031                          | \$21,175                     | \$ 21,890                 | \$ 17,699                 | \$ 15,517                 | \$ 14,368                 |
| Public safety .....   | 71,061                            | 70,887                       | 74,402                    | 71,506                    | 67,575                    | 63,369                    |
| Infrastructure & leisure .....  | 12,595                            | 13,629                       | 11,825                    | 14,158                    | 13,873                    | 13,353                    |
| Development and<br>community affairs .....  | 4,345                             | 4,296                        | 2,541                     | 2,194                     | 1,917                     | 1,708                     |
| Human services .....  | 7,275                             | 7,526                        | 7,303                     | 7,740                     | 7,529                     | 7,488                     |
| Library <sup>2</sup> .....  | 7,915                             | 8,242                        | 0                         | 0                         | 6,374                     | 0                         |
| Education .....   | 284,554 <sup>1</sup>              | 284,554 <sup>1</sup>         | 374,467                   | 279,086                   | 270,874                   | 211,898                   |
| Benefits and insurance .....  | 59,592                            | 57,482                       | 57,012                    | 54,754                    | 47,348 <sup>3</sup>       | 100,791                   |
| Sundry .....  | <u>30,423</u>                     | <u>35,358</u>                | <u>28,122</u>             | <u>28,755</u>             | <u>20,335</u>             | <u>21,950</u>             |
| <b>Total expenditures</b> .....   | <b>\$497,791<sup>1</sup></b>      | <b>\$503,149<sup>1</sup></b> | <b>\$577,562</b>          | <b>\$475,892</b>          | <b>\$451,342</b>          | <b>\$434,927</b>          |
| Excess of revenues over<br>expenditures .....   | 33,535                            | 18,431                       | 21,404                    | 29,036                    | \$24,719                  | \$11,978                  |
| <b>Other financing sources (uses)</b>   |                                   |                              |                           |                           |                           |                           |
| Other financing sources .....   | 4,442                             | 8,082                        | 14,715                    | 9,952                     | 7,039                     | \$23,453 <sup>4</sup>     |
| Other financing uses .....  | (37,977)                          | (38,513)                     | (42,686)                  | (37,736)                  | (31,462)                  | (26,486)                  |
| Excess (deficiency) of revenues<br>and other resources over<br>(under) expenditures ..... | 0                                 | (12,000)                     | (6,567)                   | 1,252                     | 2,296 <sup>5</sup>        | 9,447                     |
| Fund balance, July 1 .....  | <u>15,900</u>                     | <u>27,900</u>                | <u>34,467</u>             | <u>33,215</u>             | <u>30,919</u>             | <u>21,472</u>             |
| Fund balance, June 30 <sup>6</sup> .....  | <b>\$15,900</b>                   | <b>\$15,900</b>              | <b>\$27,900</b>           | <b>\$34,467</b>           | <b>\$33,215</b>           | <b>\$30,919</b>           |

<sup>1</sup>These amounts do not reflect State of Connecticut on-behalf contributions to the Connecticut State Teachers' Retirement System.

<sup>2</sup>Library expenses were reclassified in budgetary presentations in Fiscal Years 2004-05 and 2005-06.

<sup>3</sup>Employee benefits and insurance for education and library were moved to those respective departments.

<sup>4</sup>Transfer from Hartford Parking Authority resulting from defeasance of revenue bond indenture.

<sup>5</sup>Includes \$2,000,000 in bond premium.

<sup>6</sup>The City has implemented a formal fund balance policy which would maintain general fund balance of at least 7.5% of budgetary revenues. The City is aware that is not meeting its fund balance policy and is evaluating steps to remediate the situation.

Note: Amounts may not total due to rounding.

**General Fund – Comparative Balance Sheet**  
**Last Five Fiscal Years Ended June 30**  
**(In Thousands)**

|                                       | <u>6/30/08</u>   | <u>6/30/07</u>   | <u>6/30/06</u>   | <u>6/30/05</u>   | <u>6/30/04</u>   |
|---------------------------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Assets</b>                         |                  |                  |                  |                  |                  |
| Cash and cash equivalents .....       | \$42,571         | \$63,440         | \$ 61,199        | \$ 70,521        | \$ 61,020        |
| Due from other funds .....            | 19,210           | 7,810            | 6,114            | 11,918           | 4,792            |
| Uncollected property taxes .....      | 15,916           | 18,629           | 18,738           | 19,878           | 15,001           |
| Uncollected interest on taxes ....    | 4,781            | 5,523            | 7,332            | 1,648            | 5,740            |
| Uncollected assessments .....         |                  |                  | 0                | 64               | 0                |
| Due from component units .....        |                  |                  | 0                | 0                | 31               |
| School building grants                |                  |                  |                  |                  |                  |
| receivable .....                      | 18,515           | 21,367           | 24,967           | 28,419           | 32,305           |
| Due from individuals and              |                  |                  |                  |                  |                  |
| miscellaneous .....                   | <u>6,507</u>     | <u>9,366</u>     | <u>4,057</u>     | <u>2,358</u>     | <u>6,295</u>     |
| <b>Total assets</b> .....             | <b>\$107,500</b> | <b>\$126,135</b> | <b>\$122,407</b> | <b>\$134,806</b> | <b>\$125,184</b> |
| <b>Liabilities and fund balance</b>   |                  |                  |                  |                  |                  |
| Accounts payable and                  |                  |                  |                  |                  |                  |
| accrued liabilities .....             | \$36,614         | 35,146           | \$ 29,087        | \$ 46,675        | \$ 37,884        |
| Due to other funds .....              | 1,827            | 8,501            | 6,369            | 4,441            | 8,505            |
| Due to component units .....          | 0                | 0                | 0                | 0                | 90               |
| Deferred revenue .....                | <u>41,159</u>    | <u>48,021</u>    | <u>53,736</u>    | <u>52,771</u>    | <u>57,233</u>    |
| <b>Total liabilities</b> .....        | <b>\$79,600</b>  | <b>\$91,668</b>  | <b>\$ 89,192</b> | <b>\$103,887</b> | <b>\$103,712</b> |
| Fund balance:                         |                  |                  |                  |                  |                  |
| Reserve for encumbrances ..           | 0                | 0                | \$ 246           | \$ 143           | \$ 379           |
| Unreserved <sup>1</sup> .....         | <u>\$27,900</u>  | <u>\$34,467</u>  | <u>32,969</u>    | <u>30,776</u>    | <u>21,093</u>    |
| Total fund balance .....              | <u>\$27,900</u>  | <u>\$34,467</u>  | <u>\$ 33,215</u> | <u>\$ 30,919</u> | <u>\$ 21,472</u> |
| <b>Total liabilities and fund</b>     |                  |                  |                  |                  |                  |
| <b>balance</b> .....                  | <b>\$107,500</b> | <b>\$126,135</b> | <b>\$122,407</b> | <b>\$134,806</b> | <b>\$125,184</b> |
| <b>Analysis of</b>                    |                  |                  |                  |                  |                  |
| <b>    General Fund equity</b>        |                  |                  |                  |                  |                  |
| Budgetary revenues <sup>2</sup> ..... | \$500,460        | \$490,255        | \$464,932        | \$450,089        | \$426,157        |
| Fund balance as percent               |                  |                  |                  |                  |                  |
| of operating revenues .....           | 5.6%             | 7.0%             | 7.1%             | 6.9%             | 5.0%             |
| Unreserved fund balance               |                  |                  |                  |                  |                  |
| as percent of operating               |                  |                  |                  |                  |                  |
| revenue .....                         | 5.6%             | 7.0%             | 7.1%             | 6.8%             | 4.9%             |

<sup>1</sup>At the time of passage of the 2003-04 budget, the amount of \$700,000 was designated to balance the General Fund budget for the 2004-05 Fiscal Year. These funds were not used because of the refinancing of the Hartford Parking Authority bonds and the release of debt service reserve funds.

<sup>2</sup>Budgetary revenues exclude other financing sources (RSI-1).

Note: Amounts may not total due to rounding.

**Summary of City Operations and Recent Financial Initiatives**

The City of Hartford ended Fiscal Year 2008 with a General Fund budget shortfall of \$6.6 million after three consecutive years of surpluses had increased fund balance from \$21.5 million in Fiscal Year 2005 to \$34.5 million in Fiscal Year 2007. Fund balance in Fiscal Year 2008 declined to \$27.9 million, or 5.6% of operating revenues from 7.0% in the prior year. The Fiscal Year 2008 General Fund deficit was driven by a \$10.5 million revenue shortfall that was only partially offset by expenditure savings totaling \$3.9 million versus the revised budget. As the economic slowdown began to manifest itself fully in the fourth quarter of Fiscal Year 2008,

revenue generating initiatives undertaken to balance the budget were no longer feasible as the credit crisis mounted.

Currently, the City projects an \$12.0 million budget shortfall for Fiscal Year 2009 based on the success of a variety of initiatives. The City identified specific revenue generating initiatives to offset identified revenue weaknesses and minimize the forecast budget shortfall. These initiatives included: acceleration of tax payments through improved enforcement and tax collection techniques, a property tax audit, increases in fees, licenses and rates and the sale of City property to generate revenue and to return the properties to the tax rolls. In addition, the City reviewed and updated all City operating leases to maximize income. These revenue initiatives, in addition to the freezing of vacancies, layoffs and retirement of 132 employees (this represents 20% of the City's non-sworn workforce), the reduction in overtime and other non-personnel savings, drove savings to the bottom line in Fiscal Year 2009. However, the full impact of these changes will not be felt until Fiscal Year 2010 when the City receives the full benefit of these operational improvements and production efficiencies.

The City has financial resources available in the Capital, Miscellaneous Grant and Private Purpose Trust funds that can be utilized to offset general fund expenditures as budgeted and as legally permitted.

### **Tax Assessment**

The maintenance of a tax assessment list and the location and valuation of all real and personal property within the City for inclusion on the Grand List are the responsibilities of the Assessor's Office. The Grand List represents the total of assessed values for all taxable real and personal property located within the City on each October 1.

Public Act No. 04-2 of the May 2004 Special Session of the Connecticut General Assembly ("PA 04-2") modified the required cycle of revaluation and lengthened the cycle from four to five years. Generally, the law requires a revaluation every five years and a general revaluation based on physical observation where the preceding revaluation in the five year cycle was a statistical revaluation. A statistical revaluation required for the assessment year commencing October 1, 2003 was caused to be delayed by PA 04-2, effectively scheduling the City's last and subsequent revaluations for October 1, 2006 and October 1, 2011. A local legislative body is permitted to enact a one to five year phase-in of increased real property values resulting from the revaluation. Assessments for real estate are computed at 70% of the estimated market value at the time of the last revaluation, while assessments for motor vehicles and personal property are computed at 70% of the current fair market value. Each year a Board of Assessment Appeals determines whether taxpayer petitions for assessment reductions on the current grand list are warranted.

When a new structure, or modification to or demolition of an existing structure, is undertaken, the Assessor's Office receives a copy of the appropriate permit. A physical appraisal is then completed and the structure classified and priced from a schedule developed as of the last revaluation. Property depreciation and obsolescence factors are also considered when arriving at an equitable value.

Public Act No. 06-183 of the Regular Session of the Connecticut General Assembly ("PA 06-183") repeals Connecticut General Statutes Section 12-62d effective as of October 1, 2010. Section 12-62d allows a municipality to provide property tax relief to owners of single-family residences and multiple-dwelling residential properties containing not more than three units. Such property tax relief is funded by a tax surcharge on other properties. As of this date, the City is the only municipality to have used Section 12-62d.

PA 06-183 allows any municipality that has used Section 12-62d to adopt a new property tax system that separates real property into classes based on how it is used and limits the maximum annual property tax increase to 3.5% per year for residential and apartment properties. This tax program may only be implemented if as a result of revaluation for October 1, 2006, the increase in the total share of the Grand Levy for residential and apartment property is 20% or greater. As per the City Assessor, that was determined to be the case for the City's 2006 revaluation. Concurrent to implementing the increased residential and apartment property tax, PA 06-183 requires a proportionate phase out of the property tax surcharge imposed under Section 12-62d on business, industrial, vacant land and personal property taxes. Accordingly, the City

experienced a shift in the tax burden from commercial/industrial property, personal property and motor vehicles to residential property as a result of revaluation.

The State of Connecticut furnishes motor vehicle lists to the City and appraisals of motor vehicles are accomplished by computer in accordance with an automobile price schedule endorsed by the Connecticut Association of Assessing Officials. Section 12-71b of the Connecticut General Statutes provides that motor vehicles which are registered with the Commissioner of Motor Vehicles after the October 1 assessment date but before the next August 1 are subject to a property tax as if the motor vehicle had been included on the October Grand List. The tax is prorated and the proration is based on the number of months of ownership between October 1 and the following July 31. Cars purchased in August and September are not assessed until the next October 1 Grand List. If the motor vehicle replaces a motor vehicle that was assessed on the October Grand List, the taxpayer is entitled to certain offsetting credits. Personal property valuation is completed every year and maintained in the Assessor's Office. In 2008 the City retained a private firm that is currently performing personal property tax declaration audits. Much new revenue was realized from this effort in 2003 and new revenue is also expected from this effort.

Section 12-124 of the Connecticut General Statutes authorizes the City and its Committee on the Abatement of Taxes to abate real and personal property taxes for those who are "poor and unable to pay." The Committee, which is composed of the Corporation Counsel, the City Treasurer, and the Director of Finance, may also abate taxes on certain low and moderate-income properties and the homes of certain elderly persons pursuant to statute or contractual agreements with the State of Connecticut.

From time to time, the Common Council has approved a variety of tax assessment agreements in connection with the construction or development of improvements to certain properties within the City. Authority for such action is granted by the Connecticut General Statutes.

On June 8, 2007, the Common Council of the City adopted two resolutions, the intent of which is to provide property tax relief to residents and taxpayers of the City by phasing in over five years the increase in real property taxes resulting from the 2006 revaluation of all real property in the City. In addition, any increase on residential and apartment properties would be capped at 3.5% under the provisions of Section 12-62(n) of the Connecticut General Statutes.

At its June meeting the Council also set down for public hearing in June 2008 an ordinance which would adjust the mil rate from the current level of 63.39 mils to 68.34 mils. One of the effects of the mil rate adjustment will be to increase taxes on all property. The overall effect of the mil rate adjustment will be to make the effect of the phase-in and the cap on residential property revenue neutral insofar as revenues are projected for the general fund budget in the Fiscal Year ending June 30, 2009.

### **Levy and Payment**

Property taxes are levied by the Common Council each May on all assessed property on the Grand List of the prior October 1. The percent of budgeted tax collections may not be more than the average rate of collection for the prior three years. Generally, taxes under \$100.00 are due in one installment on July 1; real estate and personal property taxes of \$100.00 to \$100,000 are due in two installments, on July 1 and January 1; and taxes over \$100,000 are due in two installments on July 1 and January 1. Motor vehicle taxes in excess of \$100.00 are payable in two installments on July 1 and January 1. A margin against delinquencies, legal reductions, and Grand List adjustment, such as Assessor errors, is provided by adjusting collections downward when computing anticipated property tax revenue from the current tax levy. An estimate for delinquent taxes and outstanding interest and lien fees anticipated to be collected during the fiscal year is normally included as a revenue item in the budget. Delinquent taxes are billed at least four times a year, with interest charged at the rate of one and one-half percent (1½%) per month with a minimum charge of \$2.00. In accordance with State law, interest and the oldest outstanding tax is collected first. Outstanding real estate tax accounts are automatically lien-ed each year prior to May 31 with legal demands and alias tax warrants used in collection of personal property and motor vehicle tax bills. Delinquent motor vehicle and personal property accounts are transferred to suspense 15 years after the due date in accordance with State statutes. Some suspense accounts are turned over to a private collection agency for additional efforts at collection.

Pursuant to Section 12-62d of the Connecticut General Statutes, any municipality in the State is authorized to provide tax relief to residential property owners in a year of general property revaluation in the municipality, provided the effective tax rate for residential property, in accordance with the provisions of such section, is 1½% or more of the market value of residential property in such municipality. Residential property, for purposes of this program, is defined as “any single parcel of residential property used exclusively for residential purposes, including a single family residence and a multiple dwelling structure containing not more than three units, used by the occupants as a place of permanent residence.” In order to fund such relief, the legislative body of the municipality is authorized to impose a property tax surcharge on all real and personal property subject to property tax and classified as commercial, industrial or public utility, or any combination thereof. Motor vehicles and certain multiple dwelling structures which are more than 50% residential in use and which contain more than three units are generally exempt from the surcharge. The Common Council has approved a measure to provide residential property tax relief under Section 12-62d and has approved a surcharge of up to 15%. The amount of the property tax surcharge which becomes payable in the year in which revaluation becomes effective must remain unchanged for four years. The surcharge is capped at 15% and has ranged from 11.5% to 15% since 1991. This methodology was changed for the City’s recent revaluation by the Connecticut General Assembly. (See “Tax Assessment” herein.)

**Property Tax Levies and Collections**  
(In Thousands)

| <u>Year Ended June 30</u> | <u>Current Adjusted Levy</u> | <u>Tax Collections</u> | <u>Percent of Levy Collected</u> | <u>Delinquent Tax Collections All Lists</u> | <u>Total Tax Collections</u> | <u>Total Collections As Percent of Current Adjusted Levy</u> | <u>Outstanding Delinquent Taxes All Lists</u> | <u>Outstanding Delinquent Tax as Percent of Current Adjusted Levy</u> |
|---------------------------|------------------------------|------------------------|----------------------------------|---|------------------------------|--|---|---|
| 2009.....                 | \$240,006                    | \$231,830              | 94.7                             | \$4,715                                     | \$236,545                    | 98.5   | \$21,513                                      | 8.96  |
| 2008 .....                | 221,445                      | 213,260                | 96.3                             | 5,817                                       | 219,078                      | 98.9   | 18,658  | 8.43  |
| 2007 .....                | 229,963                      | 216,075                | 94.1                             | 8,381                                       | 225,944                      | 98.0   | 26,444  | 11.5  |
| 2006.....                 | 209,283                      | 199,317                | 95.2                             | 10,748                                      | 210,065                      | 100.3  | 26,070  | 12.4  |
| 2005.....                 | 194,592                      | 185,277                | 95.2                             | 7,524                                       | 192,801                      | 99.1   | 19,876  | 10.2  |
| 2004 .....                | 185,277                      | 175,153                | 94.5                             | 5,643                                       | 180,796                      | 97.6   | 19,894  | 10.7  |
| 2003 .....                | 170,342                      | 158,888                | 93.3                             | 7,097                                       | 165,985                      | 97.4   | 20,192  | 11.9  |
| 2002 .....                | 169,964                      | 161,646                | 95.1                             | 5,908                                       | 167,554                      | 98.6   | 19,455  | 11.5  |

**Analysis of Property Tax Collections**  
(In Thousands)

| <u>Grand List of 10/1</u> | <u>Year Ended June 30</u> | <u>Taxable Grand List<sup>1</sup></u> | <u>Tax Rates<sup>2</sup></u> | <u>Original Tax Levy</u> | <u>Adjusted To Date As of 6/30/09</u> | <u>Taxes Collected As of 6/30/09</u> | <u>Taxes Uncollected As of 6/30/09</u> | <u>During Year of Levy</u> |
|---------------------------|---------------------------|---------------------------------------|------------------------------|--------------------------|---------------------------------------|--------------------------------------|--|----------------------------|
| 2007                      | 2009                      | \$3,465,777                           | 68.34                        | \$244,858*               | \$240,006                             | \$231,830                            | \$8,176                                | 94.67                      |
| 2006 .....                | 2008                      | 3,704,353                             | 63.39                        | 233,705                  | 221,445                               | 213,260                              | \$8,185                                | 96.31                      |
| 2005 .....                | 2007                      | 3,596,490                             | 64.82                        | 233,373                  | 229,963                               | 225,944                              | 4,019                                  | 98.0                       |
| 2004 .....                | 2006                      | 3,510,147                             | 60.82                        | 210,146                  | 209,283                               | 199,316                              | 10,830                                 | 95.5                       |
| 2003 .....                | 2005                      | 3,545,600                             | 56.32                        | 196,887                  | 185,277                               | 175,153                              | 10,124                                 | 94.5                       |
| 2002 .....                | 2004                      | 3,604,725                             | 52.92                        | 190,227                  | 169,117                               | 164,573                              | 4,544                                  | 93.3                       |
| 2001 .....                | 2003                      | 3,606,156                             | 48.00                        | 173,465                  | 168,065                               | 166,203                              | 1,862                                  | 95.1                       |
| 2000 .....                | 2002                      | 3,634,644                             | 48.00                        | 174,464                  | 163,204                               | 162,283                              | 921                                    | 95.2                       |

<sup>1</sup>After Board of Assessment Appeals.

<sup>2</sup>Per \$1,000 assessed valuation

\* net of \$10,119 in real estate lien sales

### Comparative Assessed Valuations by Category

|   | <u>10/1/08<sup>1</sup></u> | <u>10/1/07<sup>1</sup></u> | <u>10/1/06</u>     | <u>10/1/05</u>     | <u>10/1/04</u>     |
|---|----------------------------|----------------------------|--------------------|--------------------|--------------------|
| Residential .....                                       | \$1,033,112,143            | \$1,046,164,590            | \$ 1,018,609,590   | \$ 904,797,318     | \$ 909,440,236     |
| Commercial/Industrial .....                             | 1,520,428,235              | 1,462,764,219              | 1,670,261,213      | 1700,850,015       | 1,648,040,744      |
| Motor Vehicles .....                                    | 323,398,594                | 332,651,124                | 328,200,150        | 311,949,727        | 295,312,666        |
| Personal Property .....                                 | <u>640,838,150</u>         | <u>667,388,000</u>         | <u>687,282,110</u> | <u>678,893,280</u> | <u>657,353,590</u> |
| Total Net Taxable                                       |                            |                            |                    |                    |                    |
| Grand List .....  | \$3,517,777,123            | \$3,508,967,933            | \$3,704,353,063    | \$3,596,490,340    | \$3,510,147,236    |
| Percentage Increase<br>(Decrease) over Prior Year ..... | (.03%)                     | (5.27%)                    | 3.78%              | 2.46%              | (1.00%)            |

<sup>1</sup>After Board of Assessment Appeals.

### Statement of Grand Lists, Tax-exempt Property, Veterans, Elderly and Blind Exemptions

|  | <u>10/1/08<sup>1</sup></u> | <u>10/1/07</u>       | <u>10/1/06</u>       | <u>10/1/05</u>       | <u>10/1/04</u>       |
|--|----------------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Gross Grand List</b>  |                            |                      |                      |                      |                      |
| Land and Buildings .....   | \$ 10,632,660,076          | \$ 11,424,953,058    | \$ 9,864,125,452     | \$4,696,899,015      | \$4,485,120,359      |
| Personal Property .....  | 952,744,243                | 982,492,000          | 981,831,586          | 695,752,220          | 674,940,850          |
| Motor Vehicles .....   | <u>398,340,431</u>         | <u>403,080,411</u>   | <u>392,508,850</u>   | <u>265,069,985</u>   | <u>248,654,020</u>   |
| Total Gross Grand List .....   | \$11,983,744,750           | \$12,810,525,469     | \$11,238,465,888     | \$5,657,721,220      | \$5,408,715,229      |
| <b>Deduct</b>  |                            |                      |                      |                      |                      |
| Tax-exempt Real Property .....   | <u>4,271,221,430</u>       | <u>3,826,275,100</u> | <u>3,471,508,594</u> | <u>2,082,495,072</u> | <u>1,952,351,156</u> |
| Total Grand List .....   | \$7,712,523,320            | \$ 8,984,250,369     | \$ 7,766,957,294     | \$3,575,226,148      | \$3,456,364,073      |
| <b>Veterans, Elderly, Blind, and<br/>Distressed Municipalities<br/>Exemptions</b>    |                            |                      |                      |                      |                      |
| Land and Buildings .....   | \$ 9,363,260               | \$ 7,212,609         | \$ 8,635,519         | \$ 8,756,610         | \$ 8,537,170         |
| Personal Property .....  | 26,082,820                 | 20,356,400           | 15,174,200           | 16,858,940           | 17,587,260           |
| Motor Vehicles .....   | <u>7,439,708</u>           | <u>7,034,677</u>     | <u>5,920,901</u>     | <u>6,073,820</u>     | <u>5,506,380</u>     |
| Total Veterans, Elderly, Blind,<br>and Distressed Municipalities<br>Exemptions ..... | \$42,885,788               | \$34,603,686         | \$29,730,620         | \$31,689,370         | \$31,630,810         |
| <b>Taxable Grand List</b>  |                            |                      |                      |                      |                      |
| Land and Buildings .....   | \$2,553,540,379            | \$2,508,928,809      | \$2,688,870,803      | \$2,605,647,333      | \$2,557,480,980      |
| Personal Property .....  | 640,838,150                | 667,388,000          | 687,282,110          | 678,893,280          | 657,353,590          |
| Motor Vehicles .....   | <u>271,398,594</u>         | <u>275,121,632</u>   | <u>274,756,193</u>   | <u>258,996,165</u>   | <u>243,147,640</u>   |
| Subtotal   | \$3,465,777,123            | \$3,451,438,441      | \$3,650,909,106      | \$3,543,536,778      | \$3,457,982,210      |
| <b>Supplemental Motor Vehicle List</b>   |                            |                      |                      |                      |                      |
| Actual <sup>2</sup> .....  | <u>52,000,000</u>          | <u>57,529,492</u>    | <u>53,443,957</u>    | <u>52,953,562</u>    | <u>52,165,026</u>    |
| Total Net Taxable Grand List .....   | \$3,517,777,123            | \$3,508,967,933      | \$3,704,353,063      | \$3,596,490,340      | \$3,510,147,236      |
| Increase (Decrease) over<br>Prior Year .....   | \$8,809,190                | \$(195,385,130)      | \$107,862,723        | \$86,343,104         | \$(35,452,762)       |
| Percentage Increase<br>(Decrease) over Prior Year .....                              | (.03%)                     | (5.27%)              | 3.00%                | 2.46%                | (1.00%)              |

<sup>1</sup>After Board of Assessment Appeals.

<sup>2</sup>2008 Supplemental is Estimated

### Principal Taxpayers

| <u>Name</u>                                   | <u>Nature of Business</u> | <u>10/1/08 Taxable Valuation</u> | <u>Percent of Net Taxable Grand List</u> |
|---|---------------------------|----------------------------------|--|
| Hartford Fire Insurance & Twin City Ins. .... | Insurance                 | \$142,713,228                    | 4.11%                                    |
| Travelers Indemnity Co. Affiliate .....       | Insurance                 | 134,634,540                      | 3.88                                     |
| Connecticut Light & Power .....               | Utility                   | 118,593,950                      | 3.42                                     |
| Northland Properties .....                    | Office complex            | 91,691,520                       | 2.64                                     |
| Aetna Life Insurance Co. & Annuity .....      | Insurance                 | 84,402,300                       | 2.43                                     |
| Mac-State Square LLC                          |                           | 60,720,840                       | 1.75                                     |
| CityPlace I LTD Partnership .....             | Office complex            | 58,119,810                       | 1.68                                     |
| Talcott II Gold, LLC .....                    | Office complex            | 53,654,250                       | 1.55                                     |
| Bank of Boston, CT .....                      | Office complex            | 49,158,690                       | 1.42                                     |
| FGA Trumbull, LLC .....                       |                           | <u>47,663,980</u>                | <u>1.37</u>                              |
| <b>TOTAL</b> .....                            |                           | <b>\$841,353,108</b>             | <b>24.25%</b>                            |

Source: City of Hartford Assessor's Office.

### Capital Budget

Under the Charter, the Planning and Zoning Commission shall prepare and revise annually a program of public improvements for the ensuing ten fiscal years and shall submit annually to the Mayor its recommendation of such projects to be undertaken in the ensuing fiscal year and the full ten-year period. The Mayor shall recommend to the Common Council those projects to be undertaken during the ensuing fiscal year and the method of financing the same.

The Capital Budget is used to finance only those large non-recurring permanent public improvements for which the issuance of bonds is authorized by statute and the Charter. Capital projects include projects in excess of \$200,000 and do not include operating costs, replacement equipment, or maintenance work.

The City of Hartford's Capital Improvement Program ("CIP") is designed to implement many of the long-range objectives of *Hartford's Plan of Development* (the "Plan"), adopted by the Commission on the City Plan in 1996, and the Mayor's policy objectives. The Plan has four primary objectives: employment of City residents; development of safe, decent, affordable and accessible housing; development of an efficient, mobile, convenient and safe transportation system; and renovation of public facilities including school and municipal buildings, street reconstruction and repair, City parks, and infrastructure improvements.

The CIP for adopted 2008/2009 to 2017/2018 strives to balance and distribute limited resources to meet the City's most critical needs over the next ten years. The primary emphasis is to preserve the existing infrastructure. While the City of Hartford looks cautiously forward to new and creative development efforts to stimulate the City's economy and tax base, it is important to maintain fiscal conservatism. This poses a challenge to City leaders who must seek to preserve and improve the existing physical plant so that operating departments may effectively deliver services. The adopted 2008/2009 to 2017/2018 CIP was developed in consideration of the following factors - infrastructure preservation, maintaining and improving the City's park system, and prudent financial planning.

The adopted 2008/2009 to 2017/2018 CIP of \$758,046,1000 includes a first-year City budget totaling \$193,210,000. The total cost of projects includes \$113,300,000 for education facilities and \$79,910,000 for general government projects. The City expects school construction grants of approximately 90% or \$101,970,000 and expects to issue bonds of approximately \$11,300,000 to fund its portion.

## Retirement Plans and Post Retirement Benefits

### Pension Administration

There are four defined benefit pension plans for employees of the City of Hartford. Two are single-employer plans, one is a cost-sharing multiple-employer plan with the State of Connecticut and one is a plan with the State of Connecticut for certified teachers at the Board of Education in which the City is a noncontributing employer. The City also administers an excess-benefit plan established to fund that portion of certain retirees' pension benefits that exceed the limits permitted under Section 415(m) of the federal Internal Revenue Code.

The City Treasurer's Office administers the two single-employer plans. The City pays retirement and single benefit survivor benefits to pensioners under three old unfunded programs on a "pay-as-you-go" basis. For financial reporting purposes, these programs are reflected as one plan. These programs cover City employees hired before the current City Municipal Employees Retirement Fund ("MERF") went into effect on May 1, 1947; there were 261 pensioners and surviving annuitants under these old plans as of July 1, 2008. There are no remaining active members and the unfunded liability is decreasing rapidly.

The City provides retirement benefits for employees hired after 1947 through the City MERF, a contributory defined-benefit plan. Under the Plan, all full-time employees, including police, firefighters and emergency services, but not teachers and members of certain union groups who have elected to join the State Municipal Employees' Retirement Fund ("State MERF-B"), are eligible. The City MERF is considered to be part of the City of Hartford's financial reporting entity and is included in the City's financial reports as a pension trust fund. The Plan is required by City Charter to be actuarially sound, based on employee contributions and mandatory annual contributions from the City as employer as determined by the Pension Commission on an actuarial basis. As of July 1, 2008, City MERF membership consisted of 2,664 pensioners, 2,671 active employees, and 136 vested terminated employees.

In recent years, the City's schedule of funding progress for the Municipal Employees' Retirement Fund has been as follows:

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets <sup>1</sup> | Actuarial<br>Accrued<br>Liability<br>(AAL) <sup>2</sup> | Unfunded<br>AAL<br>(UAAL) | <u>Funded</u><br><u>Ratio</u> <sup>1</sup> | Covered<br>Payroll | UAAL as a<br>Percent of<br>Covered<br>Payroll |
|--------------------------------|--|---|---------------------------|--|--------------------|---|
| 7/1/08                         | \$1,123,379,000                              | \$1,099,441,000   | (\$23,938,000)            | 102.2%                                     | \$139,243,328      | (17.2)%                                       |
| 7/1/07                         | 1,092,128,000 <sup>3</sup>                   | \$1,090,715,000   | (\$1,413,000)             | 100.1%                                     | 133,280,000        | (-1.1)%                                       |
| 7/1/06                         | 1,021,491,000 <sup>3</sup>                   | 1,002,848,000   | (18,643,000)              | 101.9%                                     | 124,837,000        | (14.9)%                                       |
| 7/1/05                         | 986,405,000                                  | 970,286,000   | (16,199,000)              | 101.7%                                     | 117,261,000        | (13.7)%                                       |
| 7/1/04                         | 963,044,000                                  | 967,393,000   | 4,349,000                 | 99.6%                                      | 107,808,000        | 4.0%  |
| 7/1/03                         | 965,389,000                                  | 922,258,000   | (43,131,000)              | 104.7%                                     | 110,339,000        | (39.1)%                                       |
| 7/1/02                         | 957,390,000                                  | 880,444,000   | (76,946,000)              | 108.7%                                     | 117,498,000        | (65.5)%                                       |

<sup>1</sup>Excludes receivable from CMERS (applicable for 7/1/2002-7/1/2005 only; no longer applicable 7/1/2006+).

<sup>2</sup>Liability shown determined using the projected unit credit cost method 7/1/2002-7/1/2006 and the entry age normal cost method as of 7/1/2007.

<sup>3</sup>Excludes estimated City receivables of \$5,463,745 as of July 1, 2007 and \$7,022,224 as of July 1, 2006. As of the date of the Official Statement, the City has paid these receivables to the City MERF and such payment will be reflected in the Fiscal Year 2008 valuation.

Source: Annual Valuation Report, Hooker & Holcombe, Inc., June 30, 2008.

For the current fiscal year (2009-2010), the City's contribution rates against eligible payroll are: Police 3.35%; Fire (4.88)%; Board of Education 10.64%; Municipal Services 22.00% and Library 16.08%. Based on payroll estimates for the fiscal year, contributions from the City as employer are estimated at \$11,587,786 for the fiscal year ending June 30, 2010.

The City also provides post retirement health care benefits and life insurance benefits. For additional information, refer to the "Notes to Financial Statements," Notes 14 and 15, contained in Appendix A - "Auditors' Section" herein.

## Summaries of Plan Revenues and Expenses

On the following pages are shown the “Comparative Summaries of Revenues by Source” and “Expenses by Type” of the City of Hartford Municipal Employees’ Retirement Fund. It is important to note that the City’s General Fund completely funds the three old plans, while the MERF is supported by a combination of employer and employee contributions and dividend and interest income.

### Municipal Employees’ Retirement Fund Comparative Summary of Revenues by Source and Expenses by Type for Fiscal Years Ended June 30

#### Revenues by Source

| <u>Fiscal Year</u> | <u>Member Contributions</u> | <u>Employer Contributions</u> | <u>Investment Income</u> | <u>Miscellaneous</u> | <u>Total</u>  |
|--------------------|-----------------------------|-------------------------------|--------------------------|----------------------|---------------|
| 2008               | \$ 9,768,656                | \$20,329,457                  | \$(16,659,754)           | \$ 504,290           | \$ 13,942,649 |
| 2007               | 9,810,026                   | 18,074,141                    | 155,052,237              | 1,317,340            | 184,253,744   |
| 2006               | 10,095,944                  | 13,873,795                    | 85,501,760               | 14,706               | 109,486,205   |
| 2005               | 12,584,997                  | 11,725,097                    | 87,531,584               | 62,713               | 111,904,391   |

#### Expenses by Type

| <u>Fiscal Year</u> | <u>Benefits</u> | <u>Administration</u> | <u>Other</u> | <u>Total</u> |
|--------------------|-----------------|-----------------------|--------------|--------------|
| 2008               | \$81,364,885    | \$2,733,604           | \$756,064    | \$84,854,553 |
| 2007               | 75,639,617      | 2,029,097             | 755,589      | 78,424,303   |
| 2006               | 75,085,545      | 2,101,542             | 767,836      | 77,954,923   |
| 2005               | 71,361,190      | 1,989,884             | 754,228      | 74,105,302   |

Source: City of Hartford Comprehensive Annual Financial Reports: FY 2008, FY 2007, FY 2006, FY 2005.

#### Other Post-Employment Benefits

Aon Associates, actuaries retained by the City’s Finance Department, which is responsible for managing the City’s health-care and other non-pension benefits programs, has provided the actuarial valuation as of July 1, 2008 which indicates an OPEB liability of \$319 million. The City will consider a variety of strategies to fund its OPEB liability including a five-year ramp up of the Annual OPEB Cost (“AOC”). For the fiscal year ending June 30, 2008, the City contributed \$15.4 million on the AOC of \$31.6 million. The percent AOC contributed was 51.2% and the Net OPEB obligation was \$16.2 million as of June 30, 2008. The City has monitored these costs for approximately 10 years and has footnoted them in the Comprehensive Annual Financial Report (CAFR). The City has complied with all requirements for full disclosure.

The City’s Chief Operating Officer, Director of Management and Budget, Director of Finance, City Treasurer, Chief Fiscal Officer for the Board of Education, the Interim Human Resources Director for the Board of Education, the Director of Human Resources and the City’s newly established position of City Benefits Administrator have reestablished strategy sessions to fund our OPEB liability. This collaboration has recommended to the Mayor and City Council that the City fund an OPEB trust for long term investment gain, not unlike the City’s pension fund, as an investment pool as permitted by state law in the Connecticut General Statutes (Title 7, Chapter 112, Section 7-403a and Chapter 113, Part II, Section 7-450). The City attorneys created an ordinance that was passed by the City Council, establishing the OPEB Investment Trust Fund.

## Risk Management

The City has established a risk management program to account for and finance its uninsured risks of loss for employee benefits (including comprehensive life, hospital and major medical benefits), workers' compensation, and liability and property damage. Under this program, primary coverage is provided by the City up to a maximum of \$250,000 in health insurance claims for each individual per claim year, \$1 million per occurrence for workers' compensation claims, \$500,000 per occurrence for auto and general liability claims, \$100,000 per occurrence for property damage claims, and \$150,000 per occurrence for public officials' claims. Each of these self insurance programs was established by Council Ordinance and are accounted for in an Internal Service Fund to account for and report on the City's total costs associated with insurance. The General Fund makes monthly payments to the Internal Service Fund based on amounts actuarially determined as necessary to meet all current and future claims and administrative expenses. In addition, the City Treasurer and Pension Commission are covered by fiduciary liability insurance.

The City's insured general liability limit for Fiscal Year 2008-09 is \$25 million. The City is currently insured for all legal liabilities in excess of a \$500,000 deductible and public officials' liability in excess of a \$250,000 deductible. All City property is insured for fire and extended coverage with a \$100,000 deductible. Certain settled claims have exceeded the self-insured retention amounts for any year, but no claims have exceeded the commercial coverage in any year. Workers' compensation salary continuation is initially paid from the employee's respective department budget and then is paid by insurance coverage

The City provides comprehensive life and health coverage for its employees and retirees. The City operates its health care programs primarily through Anthem Blue Cross/Blue Shield of Connecticut, which provides stop-loss insurance, underwriting, administrative and claims processing services. A small percent of employees have opted to be covered by Health Net.

In recent years, the City has experienced an increase in health benefits and workers' compensation expenses due to spiraling medical costs as well as increases in the severity and frequency of claims. The Travelers has completed an actuarial valuation of the Internal Service Fund as of June 30, 2008. The valuation indicates liabilities for all claims, including current and noncurrent, of \$43.8 million, against current fund assets of \$7.0 million. This valuation is based on estimates of all future insured and uninsured claims in excess of current funding and assets. The City expects that its actual claims experience will result in less expenses than projected by the actuarial report.

The City caused \$89.4 million to flow to the Internal Service Fund from City, employee and retiree sources for the Fiscal Year ended June 30, 2008. The City expects to increase its contribution to the Internal Service Fund in the Fiscal Year ending June 30, 2009, in order to meet all current necessary funding requirements of the Internal Service Fund.

### Contributions From the General Fund

|               | <u>Health Benefits</u> | <u>Workers' Compensation</u> |
|---------------|------------------------|------------------------------|
| 2007-08 ..... | \$81,474,000           | \$5,709,000                  |
| 2006-07 ..... | \$75,805,000           | \$10,546,000                 |
| 2005-06 ..... | \$74,765,000           | \$6,245,000                  |
| 2004-05 ..... | \$70,224,000           | \$7,243,000                  |
| 2003-04 ..... | \$61,961,000           | \$6,643,000                  |
| 2002-03 ..... | \$54,636,500           | \$6,826,400                  |
| 2001-02 ..... | \$47,369,653           | \$6,947,600                  |

## SECTION VI - ADDITIONAL INFORMATION

### Litigation

The City, its officers and employees, are defendants in numerous lawsuits. The City is insured for damages, subject to a \$500,000 deductible. Judgments or settlements for less than the deductible are paid from the General Fund. \$1.9 million is budgeted for settlements in the budget of the Corporation Counsel for Fiscal Year 2009, which sum may be adjusted as necessary. Corporation Counsel expects that the budgeted amount is adequate and that none of the cases currently in litigation, if adversely decided, would have a negative impact on the finances of the City.

In the opinion of the Corporation Counsel, as of the date of this Official Statement, there are no claims or litigation pending or to his knowledge threatened which, individually or in the aggregate, will or may result in final judgments against the City which would have a material adverse effect on the finances of the City, or which would impact the validity of the Bonds and the Notes or the power of the City to levy and collect taxes to pay the principal of and interest on the Bonds and the Notes.

### State Grand Jury Investigation

The one-judge Grand Jury inquiring into alleged municipal corruption began its work in 2008; its term was extended twice.

In January 2009 a warrant was issued for the Mayor's arrest charging bribery, falsifying evidence and conspiracy to falsify evidence, all arising out of allegations that improvements were made to the Mayor's house by a contractor with several City contracts. The Mayor plead not guilty and eventually the case was set for trial for September 2009.

The Grand Jury ended its work in May of 2009. Then, instead of simply adding a count to the existing information (charging paper), the Chief State's Attorney's determined to issue a new warrant for the Mayor's arrest for attempted extortion. The Mayor turned himself in on August 31, 2009. He has protested his innocence and has refused to resign.

The allegations in the second case apparently have to do with claims of an improper relationship with another city contractor involved with a small parking lot and claims of a no-bid contract. The Mayor appeared in court on September 8 and plead not guilty. Trial of the original charges was postponed and there is a suggestion the cases will be merged.

In addition to the Mayor's arrest on August 31, 2009, Councilwoman Veronica Airey-Wilson was arrested and charged with faking or fabricating evidence. She has also plead not guilty. Her case is also pending. It is believed that her case arises out of a business relationship she had with the contractor referenced in the Mayor's first case.

The Mayor has protested his innocence and indicates he invites a jury trial to vindicate his reputation and to establish he has done nothing wrong.

### Commitment to Provide Continuing Disclosure Information

The City prepares, in accordance with State law, annual audited financial statements and files such annual audits with the State Office of Policy and Management within six months of the end of its fiscal year. In order to provide certain continuing disclosure with respect to the Bonds and the Notes in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time ("Rule 15c2-12"), the City has entered into a Disclosure Dissemination Agent Agreement ("Disclosure Dissemination Agreement") for the benefit of the holders of the Bonds and the Notes with Digital Assurance Certification, L.L.C. ("DAC"), under which the City has designated DAC as Disclosure Dissemination Agent. The forms of the Disclosure Dissemination Agreements are attached as Appendix C-1 and C-2, respectively.

The City has previously undertaken in continuing disclosure agreements entered into for the benefit of holders of certain of its general obligation bonds and notes to provide certain annual financial information and event notices pursuant to Rule 15c2-12(b)(5). To date the City has not failed to meet any of its undertakings under such agreements, except for one filing in 2001 for the Parking System Revenue Bonds dated July 1, 2000 which was filed after the required due date.

### **Documents Delivered at Closing**

Upon delivery of the Bonds and the Notes, the Underwriters will be furnished with the following documents:

1. Signature and No Litigation Certificates stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds and the Notes or the levy or collection of taxes to pay them.
2. Certificates on behalf of the City, signed by the Mayor, the City Treasurer and the Director of Finance, which will be dated the date of delivery, and attached to a signed Official Statement, and which will certify to the best of said officials' knowledge and belief, that as of the date of the execution of the Contract of Purchase, the descriptions and statements in the Official Statement relating to the City and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the City from that set forth in or contemplated by the Official Statement.
3. Receipts for the purchase price of the Bonds and the Notes.
4. The approving opinions of Robinson & Cole LLP, Bond Counsel.
5. Executed disclosure dissemination agent agreements for the Bonds and the Notes substantially in the forms of Appendix C-1 & Appendix C-2, respectively, to this Official Statement.

The City has prepared this Official Statement for the Bonds and the Notes. The City deems this Official Statement final as of its date for purposes of SEC Rule 15c-12(b)(1), but it is subject to revision or amendment. The City will make available to the Underwriter a reasonable number of copies of the Official Statement within seven business days of the execution of the Contract of Purchase. Additional copies of the Official Statement may be obtained by the Underwriter at their own expense by arrangement with the printer.

### **Legal Matters**

The unqualified opinion of Robinson & Cole LLP, of Hartford, Connecticut, in the forms set forth in Appendix B hereto, will be furnished upon delivery of the Bonds and the Notes. Certain legal matters will be passed upon for the Underwriters by Pullman & Comley, LLC of Hartford, Connecticut. Legal matters related to the authorization, issuance and sale of the Bonds and the Notes are subject to the approval of Robinson & Cole LLP, Bond Counsel to the City.

### **Concluding Statement**

To the extent that any statements made in this Official Statement involve matters of opinion or estimates, such statements are made as such and not as representations of fact or certainty, and no representation is made that any of such statements will be realized. Information herein has been derived by the City from official and other sources and is believed by the City to be reliable, but such information other than that obtained from official records of the City has not been independently confirmed or verified by the City and its accuracy is not guaranteed.

*[Signature page follows]*

This Official Statement has been duly prepared and delivered by the City and executed for and on behalf of the City by the following officials.

Dated as of September 22, 2009

CITY OF HARTFORD, CONNECTICUT

By /s/ Eddie A. Perez  
Eddie A. Perez  
Mayor

By /s/ Kathleen Palm Devine  
Kathleen Palm Devine  
City Treasurer

By /s/ Christopher J. Wolf  
Christopher J. Wolf  
Director of Finance

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**APPENDIX A**

**AUDITOR'S SECTION**

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## **Independent Auditors' Report**

The Honorable Mayor and Members of the Court  
of Common Council  
City of Hartford, Connecticut

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hartford, Connecticut, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Hartford, Connecticut's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hartford, Connecticut, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages A-3 through A-11 and budgetary comparison information on pages A-62 through A-66 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Blum, Shapiro & Company, P.C.*

January 20, 2009

**CITY OF HARTFORD, CONNECTICUT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

This discussion and analysis of the City of Hartford, Connecticut's (City) financial performance is provided by management to provide an overview of the City's financial activities for the fiscal year ended June 30, 2008. Please read this MD&A in conjunction with the transmittal letter beginning on page 1 and the City's financial statements, Exhibits I to IX.

**FINANCIAL HIGHLIGHTS**

- The City's total net assets increased \$8.3 million as a result of this year's operations. The net assets of our governmental activities increased by \$10.9 million, or nearly 1.2 percent. The net assets of our business-type activities decreased by \$2.6 million.
- The City received \$58.7 million in capital grants and contributions mostly related to school building construction grants from the State in support of the City's school renovation and construction projects.
- The total cost of the City's programs for the year was \$834.7 million with no new programs added.
- The General Fund reported a fund balance this year of \$27.9 million.
- The resources available for appropriation were \$10.5 million less than budgeted for the General Fund. Expenditures were kept within spending limits.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities (Exhibits I and II, respectively) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements are presented in Exhibits III to IX. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

***Government-Wide Financial Statements***

The analysis of the City as a whole begins on Exhibits I and II. The statement of net assets and the statement of activities report information about the City as a whole and about its activities for the current period. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. The City's net assets, the difference between assets and liabilities, is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. The reader needs to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's capital assets, to assess the overall health of the City.

In the statement of net assets and the statement of activities, we divide the City into three types of activities:

- *Governmental activities* - Most of the City's basic services are reported here, including education, public safety, public works, development and community affairs, human services, recreation and culture, and general administration. Property taxes, charges for services, and state and federal grants finance most of these activities.

- *Business - type activities* - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's Hartford Parking Facilities Fund is reported here.
- *Component units* - The City includes a separate legal entity in its report; the Hartford Parking Authority. Although legally separate, this "component unit" is reported because the City is financially accountable for them.

### ***Fund Financial Statements***

The fund financial statements begin with Exhibit III and provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by Charter. However, the City Council establishes many other funds to help control and manage financial activities for particular purposes (like the Capital Improvement Fund and Library Operating Fund) or to show that it is meeting legal responsibilities for using grants, and other money (like grants received from the Educational Grants, Health Grants and Miscellaneous Grants Funds). The City's funds are divided into three categories; governmental, proprietary and fiduciary.

- *Governmental funds (Exhibits III and IV)* - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.
- *Proprietary funds (Exhibits V, VI, and VII)* - When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities. In fact the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that provide supplies and services for the City's other programs and activities - such as the City's Self-Insurance Internal Service Funds and the City's Metro Hartford Information Services Fund.
- *Fiduciary funds (Exhibits VIII and IX)* - The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net assets increased from a year ago by \$8.3 million to \$971.7 million. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities.

**TABLE 1  
NET ASSETS  
(In Thousands)**

|  | <b>Governmental<br/>Activities</b> |                   | <b>Business-Type<br/>Activities</b> |                  | <b>Total</b>      |                   |
|--|------------------------------------|-------------------|-------------------------------------|------------------|-------------------|-------------------|
|  | <b>2008</b>                        | <b>2007</b>       | <b>2008</b>                         | <b>2007</b>      | <b>2008</b>       | <b>2007</b>       |
| Current and other assets                           | \$ 313,767                         | \$ 374,809        | \$ 630                              | \$ 2,431         | \$ 314,397        | \$ 377,240        |
| Capital assets, net of<br>accumulated depreciation | 1,099,057                          | 1,019,598         | 65,591                              | 67,552           | 1,164,648         | 1,087,150         |
| Total assets                                       | <u>1,412,824</u>                   | <u>1,394,407</u>  | <u>66,221</u>                       | <u>69,983</u>    | <u>1,479,045</u>  | <u>1,464,390</u>  |
| Long-term liabilities<br>outstanding               | 379,386                            | 378,929           | 29,617                              | 30,583           | 409,003           | 409,512           |
| Other liabilities                                  | 97,723                             | 90,637            | 630                                 | 869              | 98,353            | 91,506            |
| Total liabilities                                  | <u>477,109</u>                     | <u>469,566</u>    | <u>30,247</u>                       | <u>31,452</u>    | <u>507,356</u>    | <u>501,018</u>    |
| Net Assets:  |                                    |                   |                                     |                  |                   |                   |
| Invested in capital assets,<br>net of related debt | 877,583                            | 815,601           | 35,974                              | 36,969           | 913,557           | 852,570           |
| Restricted   | 64,098                             | 65,320            |                                     |                  | 64,098            | 65,320            |
| Unrestricted                                       | <u>(5,966)</u>                     | <u>43,920</u>     | <u>-</u>                            | <u>1,562</u>     | <u>(5,966)</u>    | <u>45,482</u>     |
| Total Net Assets                                   | <u>\$ 935,715</u>                  | <u>\$ 924,841</u> | <u>\$ 35,974</u>                    | <u>\$ 38,531</u> | <u>\$ 971,689</u> | <u>\$ 963,372</u> |

The City's government-wide net assets of \$971.7 million represent an increase of \$8.3 million (.9 percent) over last years net assets of \$963.4 million. The City was able to generate an overall increase in the City's governmental activities net assets principally due to the receipt of \$58.5 million in capital grants and contributions from the State mostly in support of the City's school renovation and construction capital program. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - has a deficit of \$6.0 million at the end of this year as compared with \$43.9 million at the end of last year. Unrestricted net assets decreased \$49.9 million as bond proceeds issued in the prior year were used to fund capital asset additions and renovations during 2008 as evidenced by the decrease of \$41.7 million in the City's Capital Improvement Fund. Net assets of the City's business-type activities decreased \$2.6 million in 2008 as transfers of unrestricted net assets to the City's General Fund increased from \$4.5 million in 2007 to \$8.3 million in 2008.

**TABLE 2**  
**CHANGES IN NET ASSETS**  
**(In Thousands)**

|  | Governmental<br>Activities |                   | Business-Type<br>Activities |                  | Total             |                   |
|--|----------------------------|-------------------|-----------------------------|------------------|-------------------|-------------------|
|  | 2008                       | 2007              | 2008                        | 2007             | 2008              | 2007              |
| Revenues:  |                            |                   |                             |                  |                   |                   |
| Program revenues:  |                            |                   |                             |                  |                   |                   |
| Charges for services   | \$ 25,681                  | \$ 25,735         | \$ 6,724                    | \$ 6,337         | \$ 32,405         | \$ 32,072         |
| Operating grants and contributions                           | 466,397                    | 382,080           |                             |                  | 466,397           | 382,080           |
| Capital grants and contributions                             | 58,545                     | 73,070            | 167                         |                  | 58,712            | 73,070            |
| General revenues:  |                            |                   |                             |                  |                   |                   |
| Property taxes   | 229,500                    | 229,734           |                             |                  | 229,500           | 229,734           |
| Grants and contributions not restricted to specific programs | 47,698                     | 49,262            |                             |                  | 47,698            | 49,262            |
| Unrestricted investment earnings                             | 3,692                      | 8,519             | 11                          | 41               | 3,703             | 8,560             |
| Other general revenues                                       | 4,581                      | 3,920             |                             |                  | 4,581             | 3,920             |
| Total revenues   | <u>836,094</u>             | <u>772,320</u>    | <u>6,902</u>                | <u>6,378</u>     | <u>842,996</u>    | <u>778,698</u>    |
| Expenses:  |                            |                   |                             |                  |                   |                   |
| General government   | 115,504                    | 97,524            |                             |                  | 115,504           | 97,524            |
| Public safety  | 83,414                     | 77,513            |                             |                  | 83,414            | 77,513            |
| Public works   | 29,127                     | 23,821            |                             |                  | 29,127            | 23,821            |
| Development and community affairs                            | 51,777                     | 47,702            |                             |                  | 51,777            | 47,702            |
| Human services   | 30,042                     | 30,755            |                             |                  | 30,042            | 30,755            |
| Education  | 496,857                    | 397,355           |                             |                  | 496,857           | 397,355           |
| Recreation and culture                                       | 10,338                     | 10,231            |                             |                  | 10,338            | 10,231            |
| Interest on long-term debt                                   | 13,723                     | 11,045            |                             |                  | 13,723            | 11,045            |
| Hartford Parking Facilities                                  |                            |                   | 3,897                       | 3,768            | 3,897             | 3,768             |
| Total expenses   | <u>830,782</u>             | <u>695,946</u>    | <u>3,897</u>                | <u>3,768</u>     | <u>834,679</u>    | <u>699,714</u>    |
| Excess before transfers                                      | 5,312                      | 76,374            | 3,005                       | 2,610            | 8,317             | 78,984            |
| Transfers  | <u>5,562</u>               | <u>1,753</u>      | <u>(5,562)</u>              | <u>(1,753)</u>   | <u>-</u>          | <u>-</u>          |
| Change in net assets   | 10,874                     | 78,127            | (2,557)                     | 857              | 8,317             | 78,984            |
| Net Assets at Beginning of Year                              | <u>924,841</u>             | <u>846,714</u>    | <u>38,531</u>               | <u>37,674</u>    | <u>963,372</u>    | <u>884,388</u>    |
| Net Assets at End of Year                                    | <u>\$ 935,715</u>          | <u>\$ 924,841</u> | <u>\$ 35,974</u>            | <u>\$ 38,531</u> | <u>\$ 971,689</u> | <u>\$ 963,372</u> |

The City's total revenue in 2008 of \$843.0 million represents an increase of \$64.3 million over last year. Included in this year's total revenue was the recognition of \$102.8 million in operating grants and contributions for the State's contribution to the State Teachers Retirement Board (STRB) on behalf of City teachers, compared with \$17.8 million in 2007. During 2008, the State's contribution to the STRB Plan on behalf of City teachers was significantly higher due to the State's issuance of pension obligation bonds and transferring of those proceeds into the STRB Plan. Capital grants and contributions decreased \$14.4 million as capital expenses subject to reimbursement from the State for the school renovation and construction capital program decreased compared with the previous year.

The City's total program expenses of \$834.7 million represent an increase of \$135 million over last year. An amount equal to the State Teachers Retirement Board on-behalf contribution is reflected as an expense in the Education function as evidenced by the increase to \$496.9 million in the current year as compared to \$397.4 million in the prior year. Additionally the cost of programs reflects a first time expense allocation of \$16.2 million for other post employment benefits (OPEB). In accordance with GASB #45, the City has accrued a liability for the difference between the actuarially determined annual recommend contribution to fund the City's OPEB obligations and the actual funding provided by the City in 2008.

Our analysis below separately considers the operations of governmental and business-type activities.

***Governmental Activities***

Table 3 presents the cost of each of the City's governmental activities five largest programs - general government, public safety, development and community affairs, human services and education - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

**TABLE 3  
GOVERNMENTAL ACTIVITIES  
(In Thousands)**

|                                   | <b>Total Cost of Services</b> |                   | <b>Net Cost of Services</b> |                   |
|-----------------------------------|-------------------------------|-------------------|-----------------------------|-------------------|
|                                   | <b>2008</b>                   | <b>2007</b>       | <b>2008</b>                 | <b>2007</b>       |
| General government                | \$ 115,504                    | \$ 97,524         | \$ 111,703                  | \$ 91,452         |
| Public safety                     | 83,414                        | 77,513            | 76,577                      | 70,637            |
| Development and community affairs | 51,777                        | 47,702            | 888                         | (6,531)           |
| Human services                    | 30,042                        | 30,755            | 8,929                       | 7,431             |
| Education                         | 496,857                       | 397,355           | 53,471                      | 31,274            |
| All other                         | 53,188                        | 45,097            | 28,591                      | 20,798            |
| <b>Total</b>                      | <b>\$ 830,782</b>             | <b>\$ 695,946</b> | <b>\$ 280,159</b>           | <b>\$ 215,061</b> |

***Business-Type Activities***

Revenues from the Hartford Parking Authority provided to the Hartford Parking Facilities Fund to finance debt service and capital improvement, as well as revenues to the City's General Fund, increased from \$6.3 million to \$6.7 million. Expenses (including debt service and depreciation) for the City's dedicated parking facilities were consistent with the prior year. Net transfers to the City's governmental activities increased from \$1.8 million in 2007 to \$5.6 million in 2008 as the City drew upon previously unrestricted net assets in addition to the increased net revenues from the Hartford Parking Authority to provide funding for the City's governmental programs.

## **CITY FUNDS FINANCIAL ANALYSIS**

### ***Governmental Funds***

The City's General Fund reported a fund balance decrease of \$6.6 million during 2008 as compared with an increase of \$1.3 million in 2007. The General Fund's unreserved fund balance at June 30, 2008 is \$27.9 million representing 5.3 percent of the General Fund's 2008 amended budgetary appropriations. Actual revenues were \$10.5 below the amended budgetary revenue estimate as investment income and other revenues fell significantly short of budgetary estimates. Expenditures were \$3.9 million below the final budgeted appropriation of \$525.6 million due largely to settlement payments of \$761 thousand as compared with an original budget appropriation of \$4.9 million. Refer to RSI-1 and RSI-2 for details on other favorable and unfavorable variances in comparison to budgetary estimates.

As the City completed the year, its Capital Improvement Fund reported a fund balance decrease of \$41.7 million. The decrease is the result of the City's use of unexpended bond issuance proceeds from June 2007 that were used in the current fiscal year to fund capital project costs.

During 2008, \$3.1 million of the unreserved fund balance in the City's Debt Service Fund was applied towards the City's total debt services expenditures of \$30.2 million in 2008. Unreserved fund balance as of June 30, 2008 is \$146 thousand.

The City's other governmental funds reported a decrease of \$3.4 million in fund balance for the year. The Miscellaneous Grants Fund reported a decrease of \$2.4 million in fund balance principally due to the transfer of policy private duty net revenues to the City's General Fund. A portion of the net revenues were in undesignated fund balance at the end of the prior fiscal year. The City's permanent funds representing the reservation of assets for various trust purposes reported an investment loss of \$1.4 million on investments.

### ***Internal Service Funds***

The net assets deficit of the City's self-insurance programs increased \$5.6 million, increasing the total deficit of the City's internal service programs from \$31.2 million to \$36.8 million. Included in the deficit is \$21.6 million of accrued estimated long-term obligations for the City's Workers Compensation and Liability and Property Damage self-insured programs. Overall operating revenues increased \$739 thousand and operating expenses increased \$10.7 million. Administrative and claims paid expenses increased \$8.5 million in the City's Employee Benefits self-insured program, representing an 11 percent increase over 2007.

The Metro Hartford Information Services Fund operational expenses were funded by \$7.2 million in contributions from the City's General Fund. Net assets decreased by \$105 thousand during the year.

### ***General Fund Budgetary Highlights***

Supplemental appropriations in the City's General Fund totaled \$13.9 million during 2007-2008. Revenue estimates were increased by \$13.9 million to cover the increase in expenditure budget appropriations. None of the additional expenditure budget appropriation increases were appropriated from fund balance. The State of Connecticut provided a supplemental increase in the ECS grant during 2008 allowing for the City's Education appropriation to be increased by \$10.6 million.

The City's General Fund fund balance and budgetary fund balance are both \$27.9 million at year end. No portion of the budgetary fund balance has been designated to balance the 2008/2009 budget. There were no outstanding encumbrances at year end with the General Fund.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2008, the City had \$1.2 billion invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment and infrastructure - Table 4.

Capital asset additions during the year totaled \$101.6 million (Note 5 to the financial statements). Construction in progress additions represent the majority of capital additions recorded by the City other than capital activity related to vehicle and equipment purchases. Refer to current period expenditures reported in Exhibit C for a detail of capital project expenditures by project in the City's Capital Improvement Fund. The majority of active projects as reported in Exhibit C qualify for capitalization under the City's asset capitalization policy.

**TABLE 4**  
**CAPITAL ASSETS AT YEAR END (Net of Depreciation)**  
**(In Millions)**

|                          | Governmental<br>Activities |                   | Business-Type<br>Activities |                | Total             |                   |
|--------------------------|----------------------------|-------------------|-----------------------------|----------------|-------------------|-------------------|
|                          | 2008                       | 2007              | 2008                        | 2007           | 2008              | 2007              |
| Land                     | \$ 71.3                    | \$ 71.2           | \$ 8.4                      | \$ 8.4         | \$ 79.7           | \$ 79.6           |
| Land improvements        | 8.0                        | 8.2               | 0.1                         | 0.1            | 8.1               | 8.3               |
| Buildings                | 246.2                      | 255.0             |                             |                | 246.2             | 255.0             |
| Other structures         | 3.3                        | 3.8               | 56.9                        | 58.9           | 60.2              | 62.7              |
| Furniture and equipment  | 3.9                        | 4.7               | 0.2                         | 0.2            | 4.1               | 4.9               |
| Rolling equipment        | 11.2                       | 9.3               |                             |                | 11.2              | 9.3               |
| Infrastructure           | 198.0                      | 199.6             |                             |                | 198.0             | 199.6             |
| Construction in progress | 557.2                      | 467.8             |                             |                | 557.2             | 467.8             |
| <b>Total</b>             | <b>\$ 1,099.1</b>          | <b>\$ 1,019.6</b> | <b>\$ 65.6</b>              | <b>\$ 67.6</b> | <b>\$ 1,164.7</b> | <b>\$ 1,087.2</b> |

There are 140 active projects in the City's Capital Improvement Fund with appropriations of \$1,093.8 million, cumulative active project expenditures of \$617.2 million and outstanding encumbrances of \$69.0 million, resulting in an unencumbered balance of \$407.7 million. Total expenditures for all projects during the fiscal year amounted to \$101.3 million. New and supplemental appropriations totaled \$183.4 million during 2008.

The City issued no general obligation bonds during 2008.

More detailed information about the City's capital assets is presented in Note 5 to the financial statements.

## Long-term debt

At June 30, 2008, the City had \$305.5 million in bonds outstanding versus \$324.1 million last year - a decrease of 5.7 percent - as shown in Table 5.

**TABLE 5**  
**OUTSTANDING DEBT, AT YEAR END**  
**(in millions)**

|                          | <u>Governmental</u> |             | <u>Business-Type</u> |             | <u>Total</u> |             |
|--------------------------|---------------------|-------------|----------------------|-------------|--------------|-------------|
|                          | <u>2008</u>         | <u>2007</u> | <u>2008</u>          | <u>2007</u> | <u>2008</u>  | <u>2007</u> |
| General obligation bonds | \$ 275.9            | \$ 293.5    | \$ 29.6              | \$ 30.6     | \$ 305.5     | \$ 324.1    |
| Serial notes payable     | 1.8                 |             |                      |             | 1.8          |             |
| Total                    | \$ 277.7            | \$ 293.5    | \$ 29.6              | \$ 30.6     | \$ 307.3     | \$ 324.1    |

The State limits the amount of general obligation debt that cities can issue based on a formula determined under State Statutes based on type of debt and tax base. The City's outstanding general obligation debt is significantly below this \$1.6 billion state-imposed limit.

Other obligations include accrued vacation pay and sick leave. More detailed information about the City's long-term liabilities is presented in Note 8 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's number of unemployed increased from 4,178 in calendar year 2006 to 4,367 in calendar year 2007 while the unemployment rate increased from 8.7 percent to 8.9 percent. This compares to the State's rate of 5.9 percent and the nation's rate of 6.0 percent.

The consumer price index in the northeast urban areas was higher than the national consumer price index. Inflation from October 2007 to October 2008 in the northeast was 4.0 percent while the rate was 3.7 percent for all urban areas in the U.S.

In developing the fiscal year 2009-2010 budget, the City continues to feel it is critical to examine the size and cost of government and the ability of the taxpayers to meet that burden. Private industry has long focused on producing the best product at the lowest price. With costs escalating, government must evaluate services in terms of affordability and quality. Cost effectiveness, innovative approach and customer service are the standards for this evaluation.

The City feels that it is essential, given the current financial climate, to control the cost of each service provided. In developing the 2008-2009 budget, we constantly questioned how we are spending the taxpayers' money. Our goal is to offer basic services to our citizens that improve their quality of life at a price affordable to them. Our budget philosophy is not directed at cutting the cost of government by cutting services. It is directed toward cutting costs and improving services.

We must be innovative in our approach to the work that we do. The City cannot afford to follow the *Business As Usual* rule. It is our responsibility to challenge our employees and ourselves to find better ways to provide governmental services. Education and goal setting are the keys to innovation. Encouraging our employees' growth and development will foster innovation. The City of Hartford should be in the vanguard of how cities do business.

Most importantly, the City must respond to the needs of our citizens. Our business is customer service. Whether a department interacts with the residents or provides services to a department that does, the focus of everyone's efforts should be oriented to serving the best interest of our customers - the taxpayers. We are in the process of examining all of the City's functions, to determine whether we are making it easier for ourselves or better for our residents.

In the past, with generous funding from state and federal sources, programs and personnel were added to municipal governments and cost effectiveness and innovation were not issues. Now, with diminishing funds, rising personnel costs and a declining tax base, we have had to make some difficult and important decisions that will make our organization more efficient and improve our services. Innovative thinking will be required to spur on new ideas or methods, or new ways of approaching old problems. Various initiatives and task forces have been implemented in an effort to educate and involve City residents and citizens. Participation in these projects and programs helps us to enhance service delivery.

The general economic downturn facing not only the City of Hartford, but also the State of Connecticut is challenging. The biggest risks that may impede the state's economic recovery are: the uncertainty about the future course of the national economy, the negative impact of war, the continuing reverberation of the correction in the equity market, and how long the state job market remains weak.

The adopted budget for fiscal year 2008-09 of \$547.6 million is an increase of \$21.9 million over the revised 2007-08 budget. The negative growth in State aid exacerbates the slow growth in the City of Hartford Grand List, thus putting more pressure on property taxes. The budget includes an increase in the current year tax levy to 68.34 mills from 63.39 in the previous year.

The City is exploring ways to reduce the 2008-09 expenditure budget and increase its revenue sources. In developing the City's 2009-10 budget various options are being explored to reduce City expenditures and maximize revenues to offset the anticipated reduction in State funding and other revenue sources as the recession takes hold.

The City is currently working on combining City facilities and Board of Education facilities as well as exploring other departments/services where a more efficient use of City resources can occur. The City currently has a hiring freeze. The City also retains the services of a collection agency to collect delinquent property taxes and parking tickets.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, City of Hartford, 550 Main Street, Hartford, Connecticut 06103.

## CITY OF HARTFORD, CONNECTICUT

## STATEMENT OF NET ASSETS

JUNE 30, 2008  
(In Thousands)

|   | Primary Government      |                          |                   | Component Unit             |
|---|-------------------------|--------------------------|-------------------|----------------------------|
|   | Governmental Activities | Business-Type Activities | Total             | Hartford Parking Authority |
| Assets:   |                         |                          |                   |                            |
| Cash and cash equivalents                       | \$ 148,223              | \$ 163                   | \$ 148,386        | \$ 2,398                   |
| Investments                                     | 16,227                  |                          | 16,227            |                            |
| Receivables, net                                | 146,113                 |                          | 146,113           | 95                         |
| Internal balances                               | 1,381                   | (1,381)                  | -                 |                            |
| Due from Fiduciary funds                        | 1,363                   |                          | 1,363             |                            |
| Due from Component unit                         |                         | 1,848                    | 1,848             |                            |
| Other assets                                    | 460                     |                          | 460               |                            |
| Capital assets:                                 |                         |                          |                   |                            |
| Assets not being depreciated                    | 628,498                 | 8,428                    | 636,926           |                            |
| Assets being depreciated, net                   | 470,559                 | 57,163                   | 527,722           |                            |
| Total assets                                    | <u>1,412,824</u>        | <u>66,221</u>            | <u>1,479,045</u>  | <u>2,493</u>               |
| Liabilities:                                    |                         |                          |                   |                            |
| Accounts payable and accrued expenses           | 82,666                  | 630                      | 83,296            | 598                        |
| Unearned revenues                               | 7,594                   |                          | 7,594             | 47                         |
| Due to primary government                       |                         |                          |                   | 1,848                      |
| Unamortized bond premium                        | 7,463                   |                          | 7,463             |                            |
| Noncurrent liabilities:                         |                         |                          |                   |                            |
| Due within one year                             | 52,584                  | 1,225                    | 53,809            |                            |
| Due in more than one year                       | 326,802                 | 28,392                   | 355,194           |                            |
| Total liabilities                               | <u>477,109</u>          | <u>30,247</u>            | <u>507,356</u>    | <u>2,493</u>               |
| Net Assets:                                     |                         |                          |                   |                            |
| Invested in capital assets, net of related debt | 877,583                 | 35,974                   | 913,557           |                            |
| Restricted for:                                 |                         |                          |                   |                            |
| Housing loans                                   | 44,111                  |                          | 44,111            |                            |
| Trust purposes:                                 |                         |                          |                   |                            |
| Expendable                                      | 1,025                   |                          | 1,025             |                            |
| Nonexpendable                                   | 18,962                  |                          | 18,962            |                            |
| Unrestricted                                    | (5,966)                 |                          | (5,966)           |                            |
| Total Net Assets                                | <u>\$ 935,715</u>       | <u>\$ 35,974</u>         | <u>\$ 971,689</u> | <u>\$ -</u>                |

The accompanying notes are an integral part of the financial statements

## CITY OF HARTFORD, CONNECTICUT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

(In Thousands)

| Functions/Programs   | Expenses   | Program Revenues     |                                    |                                  | Net (Expense) Revenue and Changes in Net Assets |                          |              | Component Unit<br>Hartford Parking Authority |
|--|------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|--------------|--|
|  |            | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government                              |                          | Total        |  |
|  |            |                      |                                    |                                  | Governmental Activities                         | Business-Type Activities |              |  |
| Primary Government:  |            |                      |                                    |                                  |   |                          |              |  |
| Governmental activities:                                     |            |                      |                                    |                                  |   |                          |              |  |
| General government   | \$ 115,504 | \$ 2,907             | \$ 894                             | \$                               | \$ (111,703)                                    | \$                       | \$ (111,703) | \$   |
| Public safety  | 83,414     | 4,696                | 2,141                              |                                  | (76,577)  |                          | (76,577)     |  |
| Public works   | 29,127     | 14,224               | 1,951                              | 3,987                            | (8,965)   |                          | (8,965)      |  |
| Development and community affairs                            | 51,777     | 72                   | 49,907                             | 910                              | (888)   |                          | (888)        |  |
| Human services   | 30,042     | 631                  | 20,482                             |                                  | (8,929)   |                          | (8,929)      |  |
| Education  | 496,857    | 637                  | 389,256                            | 53,493                           | (53,471)  |                          | (53,471)     |  |
| Recreation and culture                                       | 10,338     | 2,514                | 854                                | 155                              | (6,815)   |                          | (6,815)      |  |
| Interest on long-term debt                                   | 13,723     |                      | 912                                |                                  | (12,811)  |                          | (12,811)     |  |
| Total governmental activities                                | 830,782    | 25,681               | 466,397                            | 58,545                           | (280,159)                                       |                          | (280,159)    | -  |
| Business-type activities:                                    |            |                      |                                    |                                  |   |                          |              |  |
| Hartford Parking Facilities                                  | 3,897      | 6,724                |                                    | 167                              |   | 2,994                    | 2,994        |  |
| Total Primary Government                                     | \$ 834,679 | \$ 32,405            | \$ 466,397                         | \$ 58,712                        | (280,159)                                       | 2,994                    | (277,165)    | -  |
| Component Units:   |            |                      |                                    |                                  |   |                          |              |  |
| Hartford Parking Authority                                   | \$ 5,269   | \$ 5,269             |                                    |                                  |   |                          |              | -  |
| General revenues:  |            |                      |                                    |                                  |   |                          |              |  |
| Property taxes   |            |                      |                                    |                                  | 229,500   |                          | 229,500      |  |
| Grants and contributions not restricted to specific programs |            |                      |                                    |                                  | 47,698  |                          | 47,698       |  |
| Unrestricted investment earnings                             |            |                      |                                    |                                  | 3,692   | 11                       | 3,703        |  |
| Miscellaneous  |            |                      |                                    |                                  | 4,581   |                          | 4,581        |  |
| Transfers  |            |                      |                                    |                                  | 5,562   | (5,562)                  | -            |  |
| Total general revenues and transfers                         |            |                      |                                    |                                  | 291,033   | (5,551)                  | 285,482      | -  |
| Change in net assets   |            |                      |                                    |                                  | 10,874  | (2,557)                  | 8,317        | -  |
| Net Assets at Beginning of Year                              |            |                      |                                    |                                  | 924,841   | 38,531                   | 963,372      | -  |
| Net Assets at End of Year                                    |            |                      |                                    |                                  | \$ 935,715                                      | \$ 35,974                | \$ 971,689   | \$ -   |

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The accompanying notes are an integral part of the financial statements

**CITY OF HARTFORD, CONNECTICUT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**

**JUNE 30, 2008**  
(In Thousands)

|  | <u>General</u>    | <u>Capital<br/>Improvement<br/>Fund</u> | <u>Community<br/>Development<br/>Loan and<br/>Grant</u> | <u>Debt<br/>Service</u> | <u>Educational<br/>Grants</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|-------------------|---|---|-------------------------|-------------------------------|---|---|
| <b>ASSETS</b>                            |                   |   |   |                         |                               |   |   |
| Cash and cash equivalents                | \$ 42,571         | \$ 48,551                               | \$ 6,772  | \$ 107                  | \$ 16,559                     | \$ 28,141                               | \$ 142,701                              |
| Investments                              |                   |   |   |                         |                               | 16,227                                  | 16,227                                  |
| Receivables, net                         | 45,719            | 41,832                                  | 44,111  |                         | 2,982                         | 11,371                                  | 146,015                                 |
| Due from other funds                     | 19,210            | 2,153                                   | 496   | 89                      | 489                           | 189                                     | 22,626                                  |
| Inventories and other assets             |                   |   |   |                         |                               | 460                                     | 460                                     |
| Total Assets                             | <u>\$ 107,500</u> | <u>\$ 92,536</u>                        | <u>\$ 51,379</u>  | <u>\$ 196</u>           | <u>\$ 20,030</u>              | <u>\$ 56,388</u>                        | <u>\$ 328,029</u>                       |
| <b>LIABILITIES AND FUND BALANCES</b>     |                   |   |   |                         |                               |   |   |
| Liabilities:                             |                   |   |   |                         |                               |   |   |
| Accounts payable and accrued liabilities | \$ 36,614         | \$ 20,778                               | \$ 927  | \$ 50                   | \$ 7,825                      | \$ 3,970                                | \$ 70,164                               |
| Due to other funds                       | 1,827             | 1,415                                   |   |                         | 12,453                        | 4,883                                   | 20,578                                  |
| Deferred revenue                         | 41,159            | 230                                     | 44,111  |                         | 679                           | 10,430                                  | 96,609                                  |
| Total liabilities                        | <u>79,600</u>     | <u>22,423</u>                           | <u>45,038</u>   | <u>50</u>               | <u>20,957</u>                 | <u>19,283</u>                           | <u>187,351</u>                          |
| Fund balances:                           |                   |   |   |                         |                               |   |   |
| Reserved                                 |                   | 63,892                                  |   |                         |                               | 31,335                                  | 95,227                                  |
| Unreserved, reported in:                 |                   |   |   |                         |                               |   |   |
| General Fund                             | 27,900            |   |   |                         |                               |   | 27,900                                  |
| Special Revenue Funds                    |                   |   | 6,341   |                         | (927)                         | 3,762                                   | 9,176                                   |
| Debt Service Fund                        |                   |   |   | 146                     |                               |   | 146                                     |
| Capital Project Funds                    |                   | 6,221                                   |   |                         |                               | 2,008                                   | 8,229                                   |
| Total fund balances                      | <u>27,900</u>     | <u>70,113</u>                           | <u>6,341</u>  | <u>146</u>              | <u>(927)</u>                  | <u>37,105</u>                           | <u>140,678</u>                          |
| Total Liabilities and Fund Balances      | <u>\$ 107,500</u> | <u>\$ 92,536</u>                        | <u>\$ 51,379</u>  | <u>\$ 196</u>           | <u>\$ 20,030</u>              | <u>\$ 56,388</u>                        | <u>\$ 328,029</u>                       |

(Continued on next page)

## CITY OF HARTFORD, CONNECTICUT

## BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2008

(In Thousands)

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets:

Amounts reported for governmental activities in the statement of net assets (Exhibit I) are  
different because of the following:

|  |    |         |
|--|----|---------|
| Fund balances - total governmental funds (Exhibit III) | \$ | 140,678 |
|--|----|---------|

Capital assets used in governmental activities are not financial  
resources and, therefore, are not reported in the funds:

|                               |    |                  |           |
|-------------------------------|----|------------------|-----------|
| Governmental capital assets   | \$ | 1,580,586        |           |
| Less accumulated depreciation |    | <u>(481,529)</u> |           |
| Net capital assets            |    |                  | 1,099,057 |

Other long-term assets are not available to pay for current-period  
expenditures and, therefore, are not recorded in the funds:

|  |        |
|--|--------|
| Property tax receivables                                   | 15,916 |
| Interest receivable on property taxes                      | 4,781  |
| Receivable from the state for school construction projects | 18,515 |
| Housing loans  | 44,111 |
| Other receivables  | 5,692  |

Internal service funds are used by management to charge the costs of  
risk management to individual funds. The assets and liabilities of  
the internal service funds are reported with governmental activities  
in the statement of net assets.

(36,804)

Long-term liabilities, including bonds payable, are not due and payable  
in the current period and, therefore, are not reported in the funds:

|                                     |            |
|-------------------------------------|------------|
| Bonds and notes payable             | (276,140)  |
| Interest payable on bonds and notes | (4,465)    |
| Compensated absences                | (31,523)   |
| HUD loans                           | (2,845)    |
| Capital leases                      | (9,278)    |
| CWF serial note                     | (1,825)    |
| Net OPEB obligation                 | (16,175)   |
| Net pension obligation              | (6,747)    |
| Bond premium                        | (7,463)    |
| Deferred charges on refunding       | <u>230</u> |

|   |    |                       |
|---|----|-----------------------|
| Net Assets of Governmental Activities (Exhibit III) | \$ | <u><u>935,715</u></u> |
|---|----|-----------------------|

The accompanying notes are an integral part of the financial statements

## CITY OF HARTFORD, CONNECTICUT

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2008

(In Thousands)

|   | General          | Capital<br>Improvement<br>Fund | Community<br>Development<br>Loan and<br>Grant | Debt<br>Service<br>Fund | Educational<br>Grants | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|------------------|--------------------------------|---|-------------------------|-----------------------|--------------------------------|--------------------------------|
| Revenues:   |                  |                                |   |                         |                       |                                |                                |
| Property taxes                                    | \$ 232,955       | \$                             | \$  | \$                      | \$                    | \$                             | \$ 232,955                     |
| Licenses, permits, and other charges              | 9,850            |                                |   |                         |                       |                                | 9,850                          |
| Intergovernmental revenues                        | 341,042          | 56,576                         |   |                         | 84,608                | 85,238                         | 567,464                        |
| Charges for services                              | 2,194            |                                |   |                         |                       | 5,337                          | 7,531                          |
| Use of property                                   | 4,294            |                                |   |                         |                       |                                | 4,294                          |
| Investment income                                 | 1,714            | 2,559                          | 328   |                         |                       | (948)                          | 3,653                          |
| Miscellaneous                                     | 6,917            | 652                            | 1,530   |                         | 7,580                 | 1,668                          | 18,347                         |
| Total revenues                                    | <u>598,966</u>   | <u>59,787</u>                  | <u>1,858</u>                                  | <u>-</u>                | <u>92,188</u>         | <u>91,295</u>                  | <u>844,094</u>                 |
| Expenditures:                                     |                  |                                |   |                         |                       |                                |                                |
| Current:  |                  |                                |   |                         |                       |                                |                                |
| General government                                | 21,890           |                                |   |                         |                       | 3,886                          | 25,776                         |
| Public safety                                     | 74,402           |                                |   |                         |                       | 5,022                          | 79,424                         |
| Public works                                      | 11,825           |                                |   |                         |                       | 3,173                          | 14,998                         |
| Development and community affairs                 | 2,541            |                                | 2,171   |                         |                       | 48,164                         | 52,876                         |
| Human services                                    | 7,303            |                                |   |                         |                       | 22,576                         | 29,879                         |
| Education   | 374,467          |                                |   |                         | 91,779                | 12,785                         | 479,031                        |
| Recreation and culture                            |                  |                                |   |                         |                       | 9,636                          | 9,636                          |
| Benefits and insurance                            | 57,012           |                                |   |                         |                       |                                | 57,012                         |
| Other   | 28,122           |                                |   |                         |                       |                                | 28,122                         |
| Capital outlay                                    |                  | 101,332                        |   |                         |                       |                                | 101,332                        |
| Debt service                                      |                  |                                |   | 30,195                  |                       | 2,706                          | 32,901                         |
| Total expenditures                                | <u>577,562</u>   | <u>101,332</u>                 | <u>2,171</u>                                  | <u>30,195</u>           | <u>91,779</u>         | <u>107,948</u>                 | <u>910,987</u>                 |
| Excess (Deficiency) of Revenues over Expenditures | 21,404           | (41,545)                       | (313)   | (30,195)                | 409                   | (16,653)                       | (66,893)                       |
| Other Financing Sources (Uses):                   |                  |                                |   |                         |                       |                                |                                |
| Transfers in                                      | 14,715           | 974                            | 106   | 27,103                  |                       | 12,863                         | 55,761                         |
| Transfers out                                     | (42,686)         | (3,066)                        |   |                         | (993)                 | (3,454)                        | (50,199)                       |
| Serial notes issued                               |                  | 1,922                          |   |                         |                       |                                | 1,922                          |
| Capital leases                                    |                  |                                |   |                         |                       | 3,883                          | 3,883                          |
| Total other financing sources (uses)              | <u>(27,971)</u>  | <u>(170)</u>                   | <u>106</u>                                    | <u>27,103</u>           | <u>(993)</u>          | <u>13,292</u>                  | <u>11,367</u>                  |
| Net Change in Fund Balances                       | (6,567)          | (41,715)                       | (207)   | (3,092)                 | (584)                 | (3,361)                        | (55,526)                       |
| Fund Balances at Beginning of Year                | <u>34,467</u>    | <u>111,828</u>                 | <u>6,548</u>                                  | <u>3,238</u>            | <u>(343)</u>          | <u>40,466</u>                  | <u>196,204</u>                 |
| Fund Balances at End of Year                      | <u>\$ 27,900</u> | <u>\$ 70,113</u>               | <u>\$ 6,341</u>                               | <u>\$ 146</u>           | <u>\$ (927)</u>       | <u>\$ 37,105</u>               | <u>\$ 140,678</u>              |

(Continued on next page)

## CITY OF HARTFORD, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)FOR THE YEAR ENDED JUNE 30, 2008  
(In Thousands)

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund

Balances of Governmental Funds to the Statement of Activities:

Amounts reported for governmental activities in the statement of activities (Exhibit II) are different because:

|   |    |          |
|---|----|----------|
| Net change in fund balances - total governmental funds (Exhibit IV) | \$ | (55,526) |
|---|----|----------|

Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

|                      |          |
|----------------------|----------|
| Capital outlay       | 101,591  |
| Depreciation expense | (21,514) |

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus the change in net assets differs from the change in fund balance by the cost of the assets sold.

(618)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, and revenues recognized in the funds are not reported in the statement of activities:

|   |         |
|---|---------|
| School building grant receipts                                | (2,852) |
| Property tax receivable - accrual basis change                | (2,713) |
| Property tax interest and lien revenue - accrual basis change | (742)   |
| Other receivables - accrual basis change                      | (690)   |

|   |          |
|---|----------|
| Change in pension and other post employment benefit liabilities | (12,750) |
|---|----------|

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized and deferred in the statement of activities. The details of these differences in the treatment of long-term debt and related items are as follows:

|  |         |
|--|---------|
| Bond and serial note principal payments          | 17,832  |
| Issuance of bonds and notes                      | (1,922) |
| Accrued interest on bonds - accrual basis change | (1,074) |
| HUD loan principal payments                      | 270     |
| Capital lease payments                           | 1,833   |
| Capital lease financing                          | (3,883) |
| Amortization of deferred charge on refunding     | (95)    |
| Amortization of bond premium                     | 412     |

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

|                      |         |
|----------------------|---------|
| Compensated absences | (1,049) |
|----------------------|---------|

Internal service funds are used by management to charge costs to individual funds. The net revenue of certain activities of internal services funds is reported with governmental activities.

(5,636)

|  |    |               |
|--|----|---------------|
| Change in Net Assets of Governmental Activities (Exhibit II) | \$ | <u>10,874</u> |
|--|----|---------------|

The accompanying notes are an integral part of the financial statements

**CITY OF HARTFORD, CONNECTICUT**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**

**JUNE 30, 2008**  
(In Thousands)

|   | <b>Business-Type<br/>Activities</b>        | <b>Governmental<br/>Activities</b>    |
|---|--|---------------------------------------|
|   | <b>Hartford<br/>Parking<br/>Facilities</b> | <b>Internal<br/>Service<br/>Funds</b> |
| Assets:   |  |                                       |
| Current assets:                                 |  |                                       |
| Cash and cash equivalents                       | \$ 163                                     | \$ 5,522                              |
| Receivables, net                                |  | 98                                    |
| Due from other funds                            |  | 1,645                                 |
| Due from component unit                         | 1,848                                      |                                       |
| Total current assets                            | 2,011                                      | 7,265                                 |
| Capital assets, net                             | 65,591                                     |                                       |
| Total assets                                    | 67,602                                     | 7,265                                 |
| Liabilities:                                    |  |                                       |
| Current liabilities:                            |  |                                       |
| Accounts and other payables                     | 630  | 8,037                                 |
| Due to other funds                              | 1,381                                      | 949                                   |
| Risk management claims                          |  | 13,483                                |
| Bonds payable                                   | 1,225                                      |                                       |
| Total current liabilities                       | 3,236                                      | 22,469                                |
| Noncurrent liabilities:                         |  |                                       |
| Risk management claims                          |  | 21,600                                |
| Bonds payable                                   | 28,392                                     |                                       |
| Total noncurrent liabilities                    | 28,392                                     | 21,600                                |
| Total liabilities                               | 31,628                                     | 44,069                                |
| Net Assets:                                     |  |                                       |
| Invested in capital assets, net of related debt | 35,974                                     |                                       |
| Unrestricted                                    |  | (36,804)                              |
| Total Net Assets                                | \$ 35,974                                  | \$ (36,804)                           |

The accompanying notes are an integral part of the financial statements

**CITY OF HARTFORD, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET ASSETS - PROPRIETARY FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2008**

(In Thousands)

|  | <u>Business-Type<br/>Activities</u><br><b>Hartford<br/>Parking<br/>Facilities</b> | <u>Governmental<br/>Activities</u><br><b>Internal<br/>Service<br/>Funds</b> |
|--|---|---|
| Operating Revenues:                                  |   |   |
| City's contribution for insurance                    | \$  | \$ 77,513   |
| Employee and pensioners contributions for insurance  |   | 19,006  |
| Hartford Parking Authority - operations              | 6,724   |   |
| Other  |   | 450   |
| Total operating revenues                             | <u>6,724</u>  | <u>96,969</u>   |
| Operating Expenses:                                  |   |   |
| Administrative                                       |   | 7,720   |
| Operations   | 5   | 3,930   |
| Insurance benefits and claims                        |   | 90,994  |
| Total operating expenses before depreciation         | <u>5</u>  | <u>102,644</u>  |
| Operating Income (Loss) Before Depreciation          | <u>6,719</u>  | <u>(5,675)</u>  |
| Depreciation   | <u>2,128</u>  |   |
| Total operating expenses                             | <u>2,133</u>  | <u>102,644</u>  |
| Operating Income (Loss)                              | <u>4,591</u>  | <u>(5,675)</u>  |
| Nonoperating Income (Loss)                           |   |   |
| Interest earnings                                    | 11  | 39  |
| Interest expense                                     | (1,764)   |   |
| Total nonoperating income (loss)                     | <u>(1,753)</u>  | <u>39</u>   |
| Net Income (Loss) Before Transfers and Contributions | 2,838   | (5,636)   |
| Capital contributions                                | 167   |   |
| Transfers in   | 2,761   |   |
| Transfers out  | <u>(8,323)</u>  |   |
| Change in Net Assets                                 | (2,557)   | (5,636)   |
| Net Assets at Beginning of Year                      | <u>38,531</u>   | <u>(31,168)</u>   |
| Net Assets at End of Year                            | \$ <u>35,974</u>  | \$ <u>(36,804)</u>  |

The accompanying notes are an integral part of the financial statements

**CITY OF HARTFORD, CONNECTICUT**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
(In Thousands)

|   | <u>Business-Type<br/>Activities<br/>Hartford<br/>Parking<br/>Facilities</u> | <u>Governmental<br/>Activities<br/>Internal<br/>Service<br/>Funds</u> |
|---|---|---|
| Cash Flows from Operating Activities:   |   |   |
| City's contribution   | \$  | \$ 77,205   |
| Cash received from insurance companies and users  |   | 19,651  |
| Cash received from Hartford Parking Authority   | 6,708   |   |
| Cash paid to for salaries and benefits  |   | (3,636)   |
| Cash paid to suppliers and other  | (5)   | (91,087)  |
| Net cash provided by operating activities   | <u>6,703</u>  | <u>2,133</u>  |
| Cash Flows from Noncapital and Related Financing Activities:                                      |   |   |
| Transfers from other funds  | 2,761   |   |
| Transfers to other funds  | (6,950)   |   |
| Net cash used in noncapital and related financing activities                                      | <u>(4,189)</u>  | <u>-</u>  |
| Cash Flows from Capital and Related Financing Activities:   |   |   |
| Principal paid on bonds   | (1,210)   |   |
| Interest paid on bonds  | (1,759)   |   |
| Net cash used in capital and related financing activities   | <u>(2,969)</u>  | <u>-</u>  |
| Cash Flows from Investing Activities:   |   |   |
| Income on investments   | <u>11</u>   | <u>39</u>   |
| Net Increase (Decrease) in Cash and Cash Equivalents  | (444)   | 2,172   |
| Cash and Cash Equivalents at Beginning of Year  | <u>607</u>  | <u>3,350</u>  |
| Cash and Cash Equivalents at End of Year  | <u>\$ 163</u>   | <u>\$ 5,522</u>   |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by<br>Operating Activities:        |   |   |
| Operating income (loss)   | \$ <u>4,591</u>   | \$ <u>(5,675)</u>   |
| Adjustments to reconcile operating income (loss) to net cash provided by<br>operating activities: |   |   |
| Depreciation expense  | 2,128   |   |
| (Increase) decrease in due from component unit  | (16)  |   |
| (Increase) decrease in other receivables  |   | 218   |
| (Increase) decrease in due from other funds   |   | (440)   |
| Increase (decrease) in accounts payable and accrued liabilities                                   |   | 7,081   |
| Increase (decrease) in due to other funds   |   | 256   |
| Increase (decrease) in insurance claims payable   |   | 693   |
| Total adjustments   | <u>2,112</u>  | <u>7,808</u>  |
| Net Cash Provided by Operating Activities   | <u>\$ 6,703</u>   | <u>\$ 2,133</u>   |
| Noncash Investing, Capital and Financing Activities:  |   |   |
| Capital contribution  | \$ 167  |   |
| Amortization of deferred amount on refunding  | 244   |   |

The accompanying notes are an integral part of the financial statements

## CITY OF HARTFORD, CONNECTICUT

## STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

**JUNE 30, 2008**  
**(In Thousands)**

|  | <b>Pension<br/>Trust<br/>Funds</b> | <b>School<br/>Agency<br/>Funds</b> |
|--|------------------------------------|------------------------------------|
|  | <u>                    </u>        | <u>                    </u>        |
| Assets:  |                                    |                                    |
| Cash and cash equivalents                        | \$ 47,057                          | \$ 703                             |
| Investments:                                     |                                    |                                    |
| Fixed income securities                          | 310,695                            |                                    |
| Equities   | 605,419                            |                                    |
| Private equity contracts                         | 156,421                            |                                    |
| Accrued investment earnings                      | 4,161                              |                                    |
| Other  | 1,162                              |                                    |
| Loan receivable                                  | <u>1,800</u>                       |                                    |
| Total assets                                     | <u>1,126,715</u>                   | <u>\$ 703</u>                      |
| Liabilities:                                     |                                    |                                    |
| Accounts payable and accrued liabilities         | 249                                |                                    |
| Net settlement due on investments purchased/sold | 43,731                             |                                    |
| Due to other funds                               | 1,363                              |                                    |
| Due to student groups and other                  | <u>                    </u>        | <u>\$ 703</u>                      |
| Total liabilities                                | <u>45,343</u>                      | <u>\$ 703</u>                      |
| Net Assets:                                      |                                    |                                    |
| Held in Trust for Pension Benefits               | <u>\$ 1,081,372</u>                |                                    |

The accompanying notes are an integral part of the financial statements

## CITY OF HARTFORD, CONNECTICUT

STATEMENT OF CHANGES IN PLAN NET ASSETS - FIDUCIARY FUNDS  
PENSION TRUST FUND

FOR THE YEAR ENDED JUNE 30, 2008

(In Thousands)

|   |                     |
|---|---------------------|
| Additions:                                    |                     |
| Contributions:                                |                     |
| Employer                                      | \$ 20,329           |
| Plan members                                  | 9,769               |
| Total contributions                           | <u>30,098</u>       |
| Investment income (loss):                     |                     |
| Net depreciation in fair value of investments | (31,955)            |
| Interest and dividends                        | 19,838              |
| Total investment loss                         | <u>(12,117)</u>     |
| Less investment expense                       | (4,543)             |
| Net investment loss                           | <u>(16,660)</u>     |
| Other additions                               | <u>504</u>          |
| Total additions                               | <u>13,942</u>       |
| Deductions:                                   |                     |
| Benefits                                      | 81,365              |
| Administration                                | 2,733               |
| Other   | 754                 |
| Total deductions                              | <u>84,852</u>       |
| Net Decrease                                  | (70,910)            |
| Net Assets at Beginning of Year               | <u>1,152,282</u>    |
| Net Assets at End of Year                     | <u>\$ 1,081,372</u> |

The accompanying notes are an integral part of the financial statements

# CITY OF HARTFORD, CONNECTICUT

## NOTES TO FINANCIAL STATEMENTS

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(amounts expressed in thousands)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Hartford (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the City are described below.

#### A. Reporting Entity

The City of Hartford was incorporated May 29, 1784 and the City and City consolidated in April, 1896. The City operates under a Mayor-Council form of government and provides a full range of services including public safety, roads, solid waste collection, health, social services, culture and recreation, education, planning, development, zoning and general administrative services.

As required by generally accepted accounting principles, these financial statements present the primary government and the following component unit.

#### Discretely Presented Component Unit

The Hartford Parking Authority (the Authority) has been included in the City's reporting as a governmental fund type in accordance with GAAP. The Authority was created pursuant to Chapter 100 of the General Statutes of Connecticut and is governed by five members appointed by the Mayor. The purpose of the Authority is to create, establish, finance, maintain, and operate the City of Hartford's dedicated parking facilities, and regulate the uses and parking rates to be charged at other regulated parking facilities. The City will maintain ownership of the facilities and retire associated debt with net parking revenue transferred in from the Authority. Separate financial statements of the Authority are available from the Authority's offices, 155 Morgan Street, Hartford, Connecticut.

#### B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the City is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual

governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The various fund types included in the financial statements are described below:

### **Governmental Funds**

Governmental Funds are those through which most governmental functions typically are financed.

*General Fund* - the primary operating fund of the City. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state and federal grants, licenses, permits, charges for service, and interest income.

*Special Revenue Funds* - account for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities.

*Debt Service Fund* - accounts for the payment of principal and interest on general long-term debt of the City.

*Capital Project Funds* - account for all financial resources used for the acquisition or construction of major capital facilities not being financed by proprietary funds.

*Permanent Funds* - used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs.

### **Proprietary Funds**

Proprietary funds are used to account for activities that are similar to those often found in the private sector. These funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. The following are the City's proprietary funds:

*Enterprise Funds* - account for operations that are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The reported enterprise fund of the City accounts for activities of the Hartford Parking Facilities.

*Internal Service Funds* - account for the financing of goods or services provided by one department to other departments or agencies of the City on a cost-reimbursement basis. The reported internal service funds of the City include self-insured funds for Employee Benefits, Workers' Compensation, and Liability and Property Damage and a fund used to account for the centralized operations of the Metro Hartford Information Services.

### **Fiduciary Funds**

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governments. Fiduciary funds are not included in the government-wide statements. The fiduciary funds are as follows:

*Pension Trust Funds* - account for the Municipal Employees' Retirement System.

*Agency Funds* - are custodial in nature (assets equal liabilities). Agency Funds apply the accrual basis of accounting but do not involve measurement of results of operation. The School System Student Activity Fund and Adult Education Book Fund are the City's only agency funds.

### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements (except for agency funds which have no measurement focus). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period (generally 60 days). Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Charges for services, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The Community Development Loan and Grant Fund accounts for loan and grant activities associated with the housing and development program.

The Capital Improvement Fund accounts for the proceeds of general obligation bonds and grants for various construction and reconstruction projects.

The Debt Service Fund accounts for the payment of principal and interest on general long-term debt of the City.

The Educational Grants Fund accounts for State and Federal grants received and expended for educational purposes.

The City reports the following major enterprise fund:

The Hartford Parking Facilities Fund accounts for the operations of the City's dedicated parking facilities in conjunction with the Hartford Parking Authority.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type

activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Additionally, the City reports the following fund types:

The Internal Service Funds account for the risk management program of the City and the centralized operations of the Metro Hartford Information Services.

The Pension Trust Funds account for the activities of the Hartford Retirement System, which accumulates resources for pension benefit payments to qualified City employees.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between certain City's functions because the elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include property taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds, and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

#### **D. Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City and its component unit to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and certain other investments as described in Note 3.

Investments for the City, as well as for its component unit, are reported at fair value.

#### **E. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". All trade and property tax receivables, including those for component units, are shown net of an allowance for uncollectibles. The property tax receivable allowance of \$2.7 million is equal to 14.7% of outstanding property taxes at June 30, 2008.

The City's property tax is levied each May on the assessed value listed as of the prior October 1 for all taxable real and personal property located in the City. Assessed values are established by the City Assessor at 70% of fair market value for all properties on the grand list as of October 1 each year. Taxes under \$100 (amount not rounded) are due in one installment July 1; real and personal property taxes of over \$100 (amount not rounded) are due in two installments July 1 and January 1. Motor vehicle taxes in excess of \$100 (amount not rounded) are due in two installments July 1 and January 1. Delinquent taxes are assessed interest of 1.5% per month. In accordance with revenue recognition rules for property taxes, all uncollected property taxes at year end have been deferred.

**F. Inventories**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

**G. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets, (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component unit, is depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u>                                       | <u>Years</u> |
|---|--------------|
| Land improvements                                   | 20           |
| Buildings and building improvements                 | 20-40        |
| Other structures                                    | 15           |
| Office furniture, equipment and PC hardware         | 5            |
| Computer equipment                                  | 3-5          |
| Shop, playground, and grounds maintenance equipment | 10-20        |
| Autos, trucks, construction vehicles                | 5-15         |
| Infrastructure                                      | 25-70        |

**H. Compensated Absences**

At year-end, an estimated accrued liability for vacation and sick time for all regular municipal employees has been accrued.

## **I. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of any significant applicable bond premium or discount. Significant bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## **J. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

## **2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgetary Information**

The City adopted the legal budget for the 2007-2008 General Fund in accordance with the procedures summarized below:

By the third Monday in April, the Mayor must submit to the City Council a recommended operating budget for the fiscal year commencing the following July 1st. The operating budget includes proposed expenditures and the means of financing them.

Through direction of the Mayor and the City Council, open meetings and public hearings are held to obtain residents' and taxpayers' comments on the recommended budget.

The City Council modifies the budget by resolution (except revenues, debt service and pension requirements) and then submits the budget as amended to the Mayor for certification no later than May 21.

The Mayor may approve, reduce, and/or disapprove the budget within 48 hours, but no later than May 23.

Upon action by the Mayor, Council has until May 31 to adopt the budget, the appropriation ordinance and the tax levy ordinance. If it fails to adopt the budget by that date the budget as certified by the Mayor shall be deemed to be the budget of the City for the ensuing fiscal year and expenditures shall be made in accordance therewith (Hartford Municipal Code Sec. 9).

After the budget has been adopted and the new fiscal year begins, an appropriation may be amended. The Mayor may, at any time, transfer any unencumbered balance or portion thereof, from one classification of expenditures to another within the same department.

At the request of the Mayor, but only within the last three months of the fiscal year, the Court of Common Council may transfer by resolution, any unencumbered appropriation balance or portion thereof from one department or agency to another.

Supplemental appropriations are made on the recommendation of the Mayor upon certification by the Director of Finance that there exists an available general fund cash surplus to meet this appropriation.

Budgets for General Fund are presented on a basis consistent with generally accepted accounting principles except that encumbrances and transfers out are shown as budgetary obligations and transfers in are shown as revenues.

The General Fund budget is the City's only legally adopted annual budget. Budgets for Special Revenue and Capital Projects Funds are adopted on a project length basis in accordance with related grant or funding agreements.

The level of control for the General Fund budget is at the department/major activity level which are authorized by ordinance. The level of control for Capital Projects Funds is appropriations at the project level. Total expenditures can not exceed total appropriations by project, over the length of the project.

The Community Development Block Grant (Special Revenue) project budgets are approved by City Council. The level of control for all other Special Revenue Funds is at the project or program level in accordance with agreement provisions and various budgetary periods.

All unencumbered and unexpended appropriations lapse at year end for the General Fund. Appropriations do not lapse at year end for Special Revenue Funds. Appropriations for capital projects are carried forward until such time as the project is completed or terminated.

During the fiscal year ended June 30, 2008 there were General Fund supplemental budget appropriations totaling \$13.9 million. This amount was offset by increased adopted revenue sources totaling \$13.9 million. There were no additional appropriations against fund balance.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

## **B. Deficit Fund Equity**

|                                     |    |        |
|-------------------------------------|----|--------|
| Educational Grants                  | \$ | 927    |
| Nonmajor Funds:                     |    |        |
| Hartford Public Library             |    | 129    |
| Internal Service Funds:             |    |        |
| Employee Benefits                   |    | 8,675  |
| Workers' Compensation               |    | 21,634 |
| Liability and Property Damage       |    | 6,469  |
| Metro Hartford Information Services |    | 26     |

Deficit balances will be funded by future revenue or General Fund appropriations.

### 3. CASH, CASH EQUIVALENTS AND INVESTMENTS

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be made in a “qualified public depository” as defined by Statute, or, in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit in an “out of state bank”, as defined by the Statutes, which is not a “qualified public depository”.

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: (1) obligations of the United States and its agencies; (2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and (3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds does not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF) and the State Tax Exempt Proceeds Fund (TEPF). These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer’s Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

#### A. Cash and Cash Equivalents

The following is a summary of the City’s cash and cash equivalents at June 30, 2008:

##### Primary Government

|  |    |                |
|--|----|----------------|
| Deposits:                                  |    |                |
| Primary government:                        |    |                |
| Demand accounts                            | \$ | 36,505         |
| Money markets                              |    | 12,197         |
| Subtotal                                   |    | <u>48,702</u>  |
| Petty cash                                 |    | 16             |
| Cash equivalents:                          |    |                |
| State Short-Term Investment Fund (STIF)    |    | 21,529         |
| Marshall Prime Money Fund                  |    | 2,393          |
| Institutional money market funds           |    | 5,498          |
| Pooled employee retirement liquidity funds |    | 39,903         |
| Repurchase agreements                      |    | <u>78,105</u>  |
| Total Cash and Cash Equivalents            | \$ | <u>196,146</u> |

Discretely Presented Component Unit

Hartford Parking Authority:  
Demand accounts

\$ 2,398

**Deposits**

**City**

At June 30, 2008, the carrying amount of the City's deposits was \$48,702, and the bank balance was \$58,476.

*Custodial Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy includes policies on the safety of principal, prudence, and financial dealers and institutions designed to mitigate custodial credit risk. Of the June 30, 2008 bank balance, \$674 was covered by Federal Depository Insurance. Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with Federal law) in an amount equal to a defined percentage of its public deposits based upon the depository's risk based capital ratio. A minimum of \$5,840, based on June 30, 2008 deposits, was collateralized (collateral held by the pledging bank's trust department is not in the City's name). The balance of deposits of \$51,962 was uninsured and uncollateralized.

**Hartford Parking Authority**

At June 30, 2008, the carrying amount of the Authority's deposits was \$2,398, and the bank balance was \$2,409.

*Custodial Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority follows the City's deposit policies which include policies on the safety of principal, prudence, and financial dealers and institutions to mitigate custodial credit risk. Of the June 30, 2008 bank balance, \$200 was covered by Federal Depository Insurance. As described above, the Connecticut General Statutes require that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk based capital ratio. A minimum of \$241, based on June 30, 2008 deposits, was collateralized (collateral held by the pledging bank's trust department is not in the Authority's name). The balance of deposits of \$1,968 was uninsured and uncollateralized.

## Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2008, the City's cash equivalents amounted to \$147,428. The following table provides a summary of the City's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations.

|  | <b><u>Standard<br/>and Poor's</u></b> |
|--|---------------------------------------|
| State Short-Term Investment Fund (STIF)    | AAAm                                  |
| Marshall Prime Money fund                  | *                                     |
| Institutional Money Market Funds           | AAAm                                  |
| Pooled Employee Retirement Liquidity Funds | *                                     |

\*Not rated by rating organization

## B. Investments

Investments as of June 30, 2008 in all funds are as follows:

*Pension Accounts:*

| <b><u>Investment Type</u></b>  | <b><u>Fair<br/>Value</u></b> | <b><u>Weighted Average<br/>Maturity (Years)</u></b> |
|--|------------------------------|---|
| Interest Bearing Investments:  |                              |   |
| Fixed income securities  | \$ 310,695                   | 15.60   |
| Other Investments:   |                              |   |
| Equities   | 605,419                      |   |
| Private equity contracts   | 156,421                      |   |
| Other domestic equities and investment accruals                      | <u>5,323</u>                 |   |
| Total  | \$ <u>1,077,858</u>          |   |
| Portfolio weighted average maturity for interest bearing investments |                              | 15.60   |

*Permanent Funds and Nonexpendable Trust Accounts:*

| <u>Investment Type</u>               | <u>Fair Value</u> | <u>Weighted Average Maturity (Years)</u> |
|--------------------------------------|-------------------|--|
| <b>Interest Bearing Investments:</b> |                   |  |
| U.S treasury securities              | \$ 2,168          | 11.75                                    |
| Domestic corporate bonds             | 3,161             | 5.03                                     |
| U.S. federal agency securities       | 1,433             | 2.64                                     |
| <b>Other Investments:</b>            |                   |  |
| Equities                             | 9,164             |  |
| Open-end mutual funds                | 301               |  |
| <b>Total</b>                         | <b>\$ 16,227</b>  |  |

Portfolio weighted average maturity for interest bearing investments 6.68

*Interest Rate Risk* -The City's formal investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's formal investment policy includes asset allocation percentage ranges to assist in limiting interest rate risk.

*Foreign Currency Risk* - The City's formal investment policy limits at any point in time, the exact level of investment in international equities to between seventeen percent and twenty-one percent of the total MERF portfolio. The City's exposure to foreign currency related to equities, fixed income securities and other domestic equities as of June 30, 2008 is as follows:

**Pension Trusts:**

| <u>Currency</u>                 | <u>Fair Value</u> | <u>% of Total Portfolio</u> |
|---------------------------------|-------------------|-----------------------------|
| <b>Fixed Income Securities:</b> |                   |                             |
| Euro Currency Unit              | \$ 35,323         | 3.27 %                      |
| Japanese Yen                    | 20,082            | 1.86                        |
| British Pound Sterling          | 14,224            | 1.32                        |
| Australian Dollar               | 1,671             | 0.15                        |
| Mexican New Peso                | 1,563             | 0.14                        |
| Swedish Krona                   | 1,430             | 0.13                        |
| Other foreign currencies        | 1,488             | 0.14                        |
| <b>Equities:</b>                |                   |                             |
| Japanese Yen                    | 13,514            | 1.25                        |
| Euro Currency Unit              | 8,519             | 0.79                        |
| British Pound Sterling          | 5,717             | 0.53                        |
| South Korean Won                | 4,381             | 0.41                        |
| Hong Kong Dollar                | 3,427             | 0.32                        |
| Canadian Dollar                 | 3,211             | 0.30                        |
| Singapore Dollar                | 2,324             | 0.22                        |
| Swiss Franc                     | 2,254             | 0.21                        |
| Australian Dollar               | 2,100             | 0.19                        |
| New Taiwan Dollar               | 2,046             | 0.19                        |
| Swedish Krona                   | 1,382             | 0.13                        |
| Other foreign currencies        | 2,963             | 0.27                        |

*Credit Risk - Investments* - As indicated above, State Statutes limit the investment options of cities and towns. The City's investment policy further limits its investment choices including prohibiting investments in derivatives that are not used for the specific purposes identified in the City's Funding and Investment Policy Statement. Other prohibited transactions are identified in Article X of the Funding and Investment Policy Statement. The following table provides a summary of the City's investments (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations.

**Pension Trusts:**

|                                 | <b>Standard and Poor's</b> |                   |
|---------------------------------|----------------------------|-------------------|
|                                 | <b>Rating</b>              | <b>Percentage</b> |
| <b>Fixed income securities:</b> |                            |                   |
|                                 | AAA                        | 69%               |
|                                 | AA                         | 12%               |
|                                 | A                          | 8%                |
|                                 | BBB                        | 6%                |
|                                 | BB                         | 1%                |
|                                 | B                          | 1%                |
|                                 | Not rated                  | 3%                |

**Permanent Funds and Expendable Trusts:**

|  | <b>Standard and Poor's</b> |                   |
|--|----------------------------|-------------------|
|  | <b>Rating</b>              | <b>Percentage</b> |
| <b>Domestic corporate bonds:</b>       |                            |                   |
|  | AAA                        | 6%                |
|  | A+ to AA                   | 9%                |
|  | AA-                        | 17%               |
|  | A+                         | 22%               |
|  | A to A-                    | 31%               |
|  | BBB+ to<br>BBB-            | 15%               |
| <b>U.S. federal agency securities:</b> |                            |                   |
|  | AAA                        | 100%              |

*Concentration of Credit Risk* -The City's investment policy does not allow for an investment in securities that are not readily marketable in any one issuer that is in excess of five percent of the City's total portfolio. Additionally, investment manager guidelines require that investments be broadly diversified so as to limit the impact of large losses in individual investments on the total portfolio.

*Custodial Credit Risk* - Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the City or that sells investments to or buys them for the City), the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's individual investments in fixed income securities, equities, private equity contracts, other domestic equities, U.S treasury securities, domestic corporate bonds, and U.S federal agency securities are uninsured and unregistered securities held by a counterparty, or by its trust department or agent that are not in the City's name. The City's other investments are held in open-end mutual funds which, because they are evidenced by contracts rather than by securities, are not subject to custodial credit risk determination. The City's formal investment policy mitigates custodial credit risk by requiring use of financial institutions that are reputable and sophisticated, holding significant assets, maintaining specific insurance levels and having a quality internal control structure.

#### 4. RECEIVABLES

Receivables as of year end for the City's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

|                               | <u>General</u>   | <u>Capital<br/>Improvement<br/>Fund</u> | <u>Community<br/>Development<br/>Loan and<br/>Grant Fund</u> | <u>Educational<br/>Grants</u> | <u>Nonmajor<br/>and Other<br/>Funds</u> | <u>Total</u>      |
|-------------------------------|------------------|---|--|-------------------------------|---|-------------------|
| Receivables:                  |                  |   |  |                               |   |                   |
| Taxes                         | \$ 18,658        | \$                                      | \$   | \$                            | \$                                      | \$ 18,658         |
| Accrued interest on taxes     | 5,809            |   |  |                               |   | 5,809             |
| Intergovernmental             | 18,515           | 41,832                                  |  | 2,604                         | 7,122                                   | 70,073            |
| Accounts                      | 20,898           |   |  |                               | 2,975                                   | 23,873            |
| Housing loans                 |                  |   | 63,660   |                               |   | 63,660            |
| Section 108 - business loans  |                  |   |  |                               | 2,845                                   | 2,845             |
| Other                         | 4,566            |   |  | 378                           | 2,402                                   | 7,346             |
| Gross receivables             | <u>68,446</u>    | <u>41,832</u>                           | <u>63,660</u>  | <u>2,982</u>                  | <u>15,344</u>                           | <u>192,264</u>    |
| Less:                         |                  |   |  |                               |   |                   |
| Allowance for uncollectibles: |                  |   |  |                               |   |                   |
| Taxes                         | (2,742)          |   |  |                               |   | (2,742)           |
| Accrued interest on taxes     | (1,028)          |   |  |                               |   | (1,028)           |
| Accounts                      | (18,957)         |   |  |                               | (2,075)                                 | (21,032)          |
| Housing loans                 |                  |   | (19,549)   |                               |   | (19,549)          |
| Total allowance               | <u>(22,727)</u>  | <u>-</u>                                | <u>(19,549)</u>  | <u>-</u>                      | <u>(2,075)</u>                          | <u>(44,351)</u>   |
| Net Total Receivables         | <u>\$ 45,719</u> | <u>\$ 41,832</u>                        | <u>\$ 44,111</u>   | <u>\$ 2,982</u>               | <u>\$ 13,269</u>                        | <u>\$ 147,913</u> |

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

|   | <u>Unavailable</u> | <u>Unearned</u>   | <u>Total</u>      |
|---|--------------------|-------------------|-------------------|
| General Fund:   |                    |                   |                   |
| Delinquent property taxes                                     | \$ 15,916          | \$                | 15,916            |
| Accrued interest on delinquent property taxes                 | 4,781              |                   | 4,781             |
| School building construction grant receivables                | 18,515             |                   | 18,515            |
| Other accounts receivable                                     | 1,947              |                   | 1,947             |
| Capital Improvement Fund:                                     |                    |                   |                   |
| Grant drawdowns prior to meeting all eligibility requirements |                    | 230               | 230               |
| Community Development Loan and Grant:                         |                    |                   |                   |
| Housing loans and interest                                    | 44,111             |                   | 44,111            |
| Educational Grants:   |                    |                   |                   |
| Grant drawdowns prior to meeting all eligibility requirements |                    | 679               | 679               |
| Nonmajor and other funds:                                     |                    |                   |                   |
| Grant drawdowns prior to meeting all eligibility requirements |                    | 5,418             | 5,418             |
| Section 108 - business loans                                  | 2,845              |                   | 2,845             |
| Other accounts receivable                                     | 900                |                   | 900               |
| Other deferred revenues                                       |                    | 1,267             | 1,267             |
|   | <u>          </u>  | <u>          </u> | <u>          </u> |
| Total Deferred/Unearned Revenue for Governmental Funds        | \$ <u>89,015</u>   | \$ <u>7,594</u>   | \$ <u>96,609</u>  |

## 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

### Primary Government

|   | <u>Beginning<br/>Balance</u> | <u>Transfers</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending<br/>Balance</u> |
|---|------------------------------|------------------|------------------|------------------|---------------------------|
| Governmental activities:                    |                              |                  |                  |                  |                           |
| Capital assets not being depreciated:       |                              |                  |                  |                  |                           |
| Land  | \$ 71,231                    | \$ 67            | \$ 276           | \$ (234)         | \$ 71,340                 |
| Construction in progress                    | <u>467,842</u>               | <u>(8,246)</u>   | <u>97,562</u>    |                  | <u>557,158</u>            |
| Total capital assets not being depreciated  | <u>539,073</u>               | <u>(8,179)</u>   | <u>97,838</u>    | <u>(234)</u>     | <u>628,498</u>            |
| Capital assets being depreciated:           |                              |                  |                  |                  |                           |
| Land improvements                           | 19,352                       | 807              |                  |                  | 20,159                    |
| Buildings                                   | 436,172                      | 1,058            | 68               |                  | 437,298                   |
| Other structures                            | 15,161                       |                  | 4                |                  | 15,165                    |
| Furniture and equipment                     | 32,195                       |                  | 507              | (95)             | 32,607                    |
| Rolling equipment                           | 33,385                       | 1,015            | 3,174            | (1,042)          | 36,532                    |
| Infrastructure                              | <u>405,333</u>               | <u>5,299</u>     |                  | <u>(305)</u>     | <u>410,327</u>            |
| Total capital assets being depreciated      | <u>941,598</u>               | <u>8,179</u>     | <u>3,753</u>     | <u>(1,442)</u>   | <u>952,088</u>            |
| Less accumulated depreciation for:          |                              |                  |                  |                  |                           |
| Land improvements                           | (11,171)                     |                  | (943)            |                  | (12,114)                  |
| Buildings                                   | (181,211)                    |                  | (9,890)          |                  | (191,101)                 |
| Other structures                            | (11,372)                     |                  | (555)            |                  | (11,927)                  |
| Furniture and equipment                     | (27,498)                     |                  | (1,291)          | 11               | (28,778)                  |
| Rolling equipment                           | (24,042)                     |                  | (2,164)          | 888              | (25,318)                  |
| Infrastructure                              | <u>(205,779)</u>             |                  | <u>(6,671)</u>   | <u>159</u>       | <u>(212,291)</u>          |
| Total accumulated depreciation              | <u>(461,073)</u>             | <u>-</u>         | <u>(21,514)</u>  | <u>1,058</u>     | <u>(481,529)</u>          |
| Total capital assets being depreciated, net | <u>480,525</u>               | <u>8,179</u>     | <u>(17,761)</u>  | <u>(384)</u>     | <u>470,559</u>            |
| Governmental Activities Capital Assets, Net | <u>\$ 1,019,598</u>          | <u>\$ -</u>      | <u>\$ 80,077</u> | <u>\$ (618)</u>  | <u>\$ 1,099,057</u>       |

|  | <u>Beginning<br/>Balance</u> | <u>Increases</u>  | <u>Decreases</u> | <u>Ending<br/>Balance</u> |
|--|------------------------------|-------------------|------------------|---------------------------|
| Business-type activities:                    |                              |                   |                  |                           |
| Capital assets not being depreciated:        |                              |                   |                  |                           |
| Land   | \$ 8,428                     | \$ _____          | \$ _____         | \$ 8,428                  |
| Capital assets being depreciated:            |                              |                   |                  |                           |
| Land improvements                            | 29                           |                   |                  | 29                        |
| Parking garages                              | 70,060                       | 158               |                  | 70,218                    |
| Furniture, fixtures and equipment            | 251                          | 9                 |                  | 260                       |
| Total capital assets being depreciated       | <u>70,340</u>                | <u>167</u>        | <u>-</u>         | <u>70,507</u>             |
| Less accumulated depreciation for:           |                              |                   |                  |                           |
| Land improvements                            | (4)                          | (5)               |                  | (9)                       |
| Parking garages                              | (11,172)                     | (2,100)           |                  | (13,272)                  |
| Furniture, fixtures and equipment            | (40)                         | (23)              |                  | (63)                      |
| Total accumulated depreciation               | <u>(11,216)</u>              | <u>(2,128)</u>    | <u>-</u>         | <u>(13,344)</u>           |
| Total capital assets being depreciated, net  | <u>59,124</u>                | <u>(1,961)</u>    | <u>-</u>         | <u>57,163</u>             |
| Business-Type Activities Capital Assets, Net | <u>\$ 67,552</u>             | <u>\$ (1,961)</u> | <u>\$ -</u>      | <u>\$ 65,591</u>          |

Depreciation expense was charged to functions/programs of the primary government as follows:

|  |                  |
|--|------------------|
| Governmental activities:                             |                  |
| General government                                   | \$ 409           |
| Public safety  | 1,790            |
| Public works   | 10,117           |
| Development and community affairs                    | 212              |
| Human services                                       | 176              |
| Education  | 8,121            |
| Recreation and culture                               | <u>689</u>       |
| Total Depreciation Expense - Governmental Activities | <u>\$ 21,514</u> |
| Business-type activities:                            |                  |
| Hartford Parking Facilities                          | <u>\$ 2,128</u>  |

### Construction Commitments

The City has the following authorized construction projects in the Capital Improvement Fund as of June 30, 2008. The projects include building construction and facility improvements, land and structure improvements to parks and cultural facilities, transportation improvement projects, and other capital improvement projects.

At year end the City's encumbrances and commitments with contractors are as follows:

|                                    | <u>Cumulative<br/>Appropriations</u> | <u>Cumulative*<br/>Disbursements</u> | <u>Encumbrances*<br/>and<br/>Commitments</u> | <u>Unencumbered<br/>Balance</u> |
|------------------------------------|--------------------------------------|--------------------------------------|--|---------------------------------|
| Public Works - facilities          | \$ 27,287                            | \$ 10,359                            | \$ 4,788                                     | \$ 12,140                       |
| Public Safety - facilities         | 89,700                               | 16,516                               | 2,419  | 70,765                          |
| Recreation and Culture Projects    | 91,020                               | 64,095                               | 15,345                                       | 11,580                          |
| Education Projects                 | 781,929                              | 464,331                              | 38,016                                       | 279,582                         |
| Public Works - Infrastructure      | 92,303                               | 54,602                               | 7,844  | 29,857                          |
| Local Capital Improvement Projects | <u>11,577</u>                        | <u>7,276</u>                         | <u>572</u>                                   | <u>3,729</u>                    |
| Total                              | <u>\$ 1,093,816</u>                  | <u>\$ 617,179</u>                    | <u>\$ 68,984</u>                             | <u>\$ 407,653</u>               |

\* Excludes retainage payable recorded in the financial statements in the amount of \$5.1 million at June 30, 2008.

## 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

During the course of operations, transactions are processed through a fund on behalf of another fund. Additionally, revenues received in one fund are transferred to another fund. A summary of interfund balances as of June 30, 2008 is presented below:

### Primary Government

| <u>Receivable Fund</u>               | <u>Payable Fund</u>      | <u>Amount</u>    |
|--------------------------------------|--------------------------|------------------|
| General Fund                         | Capital Improvement Fund | \$ 1,191         |
| General Fund                         | Educational Grants       | 12,453           |
| General Fund                         | Nonmajor governmental    | 1,969            |
| General Fund                         | Enterprise Funds         | 1,381            |
| General Fund                         | Internal Service Funds   | 925              |
| General Fund                         | Pension Trust Funds      | 1,291            |
| Capital Improvement Fund             | Nonmajor governmental    | 2,153            |
| Community Development Loan and Grant | Nonmajor governmental    | 496              |
| Debt Service                         | General Fund             | 89               |
| Educational Grants                   | Nonmajor Governmental    | 265              |
| Educational Grants                   | Capital Improvement Fund | 224              |
| Nonmajor Governmental                | General Fund             | 93               |
| Nonmajor Governmental                | Internal Service Funds   | 24               |
| Nonmajor Governmental                | Pension Trust Funds      | 72               |
| Internal Service Funds               | General Fund             | <u>1,645</u>     |
| Total                                |                          | <u>\$ 24,271</u> |

**Primary Government and Component Unit**

| <u>Receivable Fund</u>             | <u>Payable Fund</u>                         | <u>Amount</u>   |
|------------------------------------|---|-----------------|
| City - Hartford Parking Facilities | Component Unit - Hartford Parking Authority | \$ <u>1,848</u> |

A summary of interfund transfers is presented below:

**Primary Government**

|                          | <u>Tranfers In</u> |                            |   |                     |                              |                        | <u>Total</u>     |
|--------------------------|--------------------|----------------------------|---|---------------------|------------------------------|------------------------|------------------|
|                          | <u>General</u>     | <u>Capital Improvement</u> | <u>Community Development Loan and Grant</u> | <u>Debt Service</u> | <u>Nonmajor Governmental</u> | <u>Enterprise Fund</u> |                  |
| Transfers out:           |                    |                            |   |                     |                              |                        |                  |
| General Fund             | \$                 | \$                         | \$  | \$ 27,103           | \$ 12,822                    | \$ 2,761               | \$ 42,686        |
| Capital Improvement Fund |                    | 3,025                      |   |                     | 41                           |                        | 3,066            |
| Educational Grants       |                    | 993                        |   |                     |                              |                        | 993              |
| Nonmajor Governmental    |                    | 2,374                      | 974   | 106                 |                              |                        | 3,454            |
| Enterprise Fund          |                    | 8,323                      |   |                     |                              |                        | 8,323            |
| <b>Total</b>             | <b>\$</b>          | <b>14,715</b>              | <b>\$ 974</b>                               | <b>\$ 27,103</b>    | <b>\$ 12,863</b>             | <b>\$ 2,761</b>        | <b>\$ 58,522</b> |

Transfers from the General Fund to the Debt Service Fund represent the City’s payment toward debt service on bonds outstanding. Transfers from the Hartford Parking Facilities enterprise fund to the General Fund represents a portion of net income derived from the City’s parking garage and on-street parking programs. Transfers from the Nonmajor Governmental Funds to the General Fund primarily includes net income derived from the City’s police private duty services program. Transfers from the General Fund to the Nonmajor Governmental funds includes \$8.4 million in support of the City’s library program.

**7. LEASES**

**Operating Leases**

Lease Agreements as Lessor

The City leases certain building, land, and air space rights under operating leases. The agreements provide for minimum annual rentals plus contingent rentals based on a percentage of cash flow from the properties.

The total rental income from operating leases during 2008 amounted to \$2.4 million. The cost of the buildings and land associated with these rental income amounts is estimated at \$32.8 million with a carrying value of \$20.7 million. Depreciation expense related to these properties was \$616 thousand during the year.

Lease Agreements as Lessee

The City entered into a 10 year lease commencing in 2001 for the rental of office and storage space from the Hartford Downtown Revival, LLC for the Board of Education. Future minimum lease payments are projected as follows:

|      |    |     |
|------|----|-----|
| 2009 | \$ | 834 |
| 2010 |    | 834 |

The City entered into a 15 year lease commencing on July 1, 2002 for the rental of office space from the Connecticut Constitution Associates, LLC for the various City departments and agencies. Future minimum lease payments are projected as follows. At the beginning of year six and year eleven, the base rent will be increased by an amount equal to the product of the base rent times 100% of the percentage increase, if any, of the CPI over the CPI at the commencement date or the first day of the sixth lease year, as the case may be:

|           |    |       |   |
|-----------|----|-------|---|
| 2009-2017 | \$ | 1,000 | * |
|-----------|----|-------|---|

\* Annual lease payment without consideration of potential increases resulting from the change in the CPI in the eleventh year of the fifteen year lease.

In addition to the base rent, the City pays a proportionate share of the landlord's operating expenses and real estate taxes. During the fiscal year ended June 30, 2008 and 2007, base rent and additional rent amounted to \$1,618 and \$2,087, respectively.

The City entered into a seven-year lease commencing in 2005 for the rental of a building at 875 Asylum Avenue for use as a Board of Education administration building and as additional classroom space for West Middle School. Future minimum lease payments are projected as follows:

|      |    |     |
|------|----|-----|
| 2009 | \$ | 235 |
| 2010 |    | 293 |
| 2011 |    | 293 |
| 2012 |    | 293 |

## 8. LONG-TERM DEBT

### Governmental Activities

#### Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

|  | <u>Beginning<br/>Balance</u> | <u>Additions</u>  | <u>Reductions</u> | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|--|------------------------------|-------------------|-------------------|---------------------------|--------------------------------|
| Governmental Activities:                       |                              |                   |                   |                           |                                |
| General obligation bonds                       | \$ 293,875                   | \$                | \$ 17,735         | \$ 276,140                | \$ 20,550                      |
| Less deferred amounts<br>on refunding          | (325)                        |                   | (95)              | (230)                     |                                |
| Total bonds payable                            | <u>293,550</u>               | -                 | <u>17,640</u>     | <u>275,910</u>            | <u>20,550</u>                  |
| Compensated absences                           | 30,474                       | 16,939            | 15,890            | 31,523                    | 15,980                         |
| HUD Section 108 loans                          | 3,115                        |                   | 270               | 2,845                     | 52                             |
| Capital leases                                 | 7,228                        | 3,883             | 1,833             | 9,278                     | 2,439                          |
| CWF Serial Note                                |                              | 1,922             | 97                | 1,825                     | 80                             |
| Net OPEB Obligation                            |                              | 16,175            |                   | 16,175                    |                                |
| Net pension obligation                         | 10,172                       |                   | 3,425             | 6,747                     |                                |
| Risk management claims                         | <u>34,390</u>                | <u>90,994</u>     | <u>90,301</u>     | <u>35,083</u>             | <u>13,483</u>                  |
| Governmental Activity<br>Long-Term Liabilities | <u>\$ 378,929</u>            | <u>\$ 129,913</u> | <u>\$ 129,456</u> | <u>\$ 379,386</u>         | <u>\$ 52,584</u>               |

#### **General Obligation Bonds**

General obligation bonds represent long-term indebtedness backed by the full faith and credit of the City and are comprised of the following groups of issues:

|  |                   |
|--|-------------------|
| General purpose serial bonds issued 1998-2007; final maturities from January 15, 2009 to August 15, 2026; interest at 3.5 percent to 6.0 percent | \$ 134,118        |
| Civic Center serial bonds issued 1971-1993; final maturities from March 1, 2009 to February 1, 2013; interest at 4.8 percent to 5.6 percent      | 4,800             |
| Education serial bonds issued 1992-2006; final maturities from January 15, 2009 to August 15, 2026, interest at 3.0 percent to 6.0 percent       | <u>137,222</u>    |
| Total  | <u>\$ 276,140</u> |

The annual requirements to amortize all bonded debt outstanding as of June 30, 2008 are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u>  | <u>Interest</u>   | <u>Total</u>      |
|-----------------------------|-------------------|-------------------|-------------------|
| 2009                        | \$ 20,520         | \$ 12,818         | \$ 33,338         |
| 2010                        | 19,150            | 11,917            | 31,067            |
| 2011                        | 19,145            | 11,030            | 30,175            |
| 2012                        | 19,140            | 10,109            | 29,249            |
| 2013                        | 18,890            | 9,168             | 28,058            |
| 2014-2018                   | 87,510            | 32,984            | 120,494           |
| 2019-2023                   | 61,005            | 14,570            | 75,575            |
| 2024-2027                   | <u>30,780</u>     | <u>2,461</u>      | <u>33,241</u>     |
| Total                       | \$ <u>276,140</u> | \$ <u>105,057</u> | \$ <u>381,197</u> |

**Clean Water Fund - Serial Notes Payable**

The City has entered into a Clean Water Fund serial note payable to the State of Connecticut as part of a tower brook conduit extension project administered by the Metropolitan District. Principal in the amount of \$97 and interest in the amount of \$19 was paid in the 2007-08 fiscal year. Future annual requirements are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u>    |
|-----------------------------|------------------|-----------------|-----------------|
| 2009                        | \$ 80            | \$ 36           | \$ 116          |
| 2010                        | 81               | 34              | 115             |
| 2011                        | 83               | 32              | 115             |
| 2012                        | 85               | 31              | 116             |
| 2013                        | 86               | 29              | 115             |
| 2014-2018                   | 460              | 128             | 588             |
| 2019-2023                   | 506              | 70              | 576             |
| 2024-2027                   | <u>444</u>       | <u>17</u>       | <u>461</u>      |
| Total                       | \$ <u>1,825</u>  | \$ <u>377</u>   | \$ <u>2,202</u> |

In previous years the City has defeased general obligation bonds by placing the proceeds of the new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2008, the following bonds outstanding are considered defeased:

| <u>Year of<br/>Original Issue</u> | <u>Date<br/>Refunded</u> | <u>Refunded<br/>Amount</u> | <u>Defeased<br/>Balance</u> |
|-----------------------------------|--------------------------|----------------------------|-----------------------------|
| 1998                              | 06/01/2005               | \$ 13,185                  | \$ 13,185                   |
| 2000                              | 06/01/2005               | 10,000                     | 10,000                      |
| 2001                              | 06/01/2005               | 6,900                      | 6,900                       |
| 2000                              | 04/01/2005               | 31,285 *                   | 30,390                      |

\*Morgan Street Garage Revenue Bonds

The City's indebtedness (\$416 million) does not exceed the legal debt limitation as required by the Connecticut General Statutes as reflected in the following schedule:

| <u>Category</u> | <u>Debt<br/>Limit</u> | <u>Net<br/>Indebtedness</u> | <u>Balance</u> |
|-----------------|-----------------------|-----------------------------|----------------|
| General purpose | \$ 501,001            | \$ 253,138                  | \$ 247,863     |
| Schools         | 1,002,002             | 131,783                     | 870,219        |
| Sewers          | 835,001               | 31,259                      | 803,742        |
| Urban renewal   | 723,668               |                             | 723,668        |
| Pension deficit | 668,001               |                             | 668,001        |

The total overall statutory debt limitation for the City is equal to seven times annual receipts from taxation (\$1.6 billion).

The indebtedness reflected above includes bonds outstanding in addition to the amount of bonds authorized and unissued against which debt is issued and outstanding. School building grants totaling \$18.5 million are applicable to outstanding bond issues. It is estimated that an additional \$208 million of authorized education project costs will be funded through State of Connecticut progress payments.

Total bonds authorized and unissued, with previously issued debt, as of June 30, 2008 were:

| <u>Description</u> | <u>Authorized</u> | <u>Bonded</u> | <u>Grants<br/>Received</u> | <u>Authorized<br/>Unissued</u> |
|--------------------|-------------------|---------------|----------------------------|--------------------------------|
| General Purpose    | \$ 159,070        | \$ 76,815     | \$                         | \$ 82,255                      |
| Schools            | 618,443           | 115,760       | 281,622                    | 221,061                        |
| Total              | \$ 777,513        | \$ 192,575    | \$ 281,622                 | \$ 303,316                     |

**Housing and Urban Development (HUD) Section 108 Loans**

The City has entered into Federal HUD Section 108 Loans. Principal in the amount of \$270 and interest in the amount of \$232 was paid in the 2007-08 fiscal year. Future annual requirements are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u>    |
|-----------------------------|------------------|-----------------|-----------------|
| 2009                        | \$ 52            | \$ 92           | \$ 144          |
| 2010                        | 182              | 133             | 315             |
| 2011                        | 196              | 123             | 319             |
| 2012                        | 215              | 111             | 326             |
| 2013                        | 229              | 98              | 327             |
| 2014-2018                   | 1165             | 272             | 1,437           |
| 2019-2023                   | 521              | 92              | 613             |
| 2024-2027                   | 285              | 13              | 298             |
| Total                       | \$ <u>2,845</u>  | \$ <u>934</u>   | \$ <u>3,779</u> |

**Capital Leases**

The City has entered into multi-year capital leases for the purchase of various vehicles and equipment. Principal payments for 2008 were \$1,833. The following is a summary of capital lease commitments as of June 30, 2008:

| <u>Year Ending June 30,</u>             | <u>Amount</u>   |
|---|-----------------|
| 2009                                    | \$ 2,792        |
| 2010                                    | 2,940           |
| 2011                                    | 2,173           |
| 2012                                    | 1,598           |
| 2013                                    | 615             |
| Total lease payments                    | 10,118          |
| Less: amount representing interest      | (840)           |
| Present value of minimum lease payments | \$ <u>9,278</u> |

The City originally issued \$13,514 in capital lease financing agreements to purchase vehicle and equipment capital assets. The net undepreciated value approximates the principal balance payable of \$9,278 at June 30, 2008.

**Compensated Absences**

Employees can accumulate additional amounts of unused vacation and sick leave (as determined by individual union contracts) until termination of their employment. At termination pay-out provisions as determined by individual union contract provides for payments to vested employees net of provisions to exchange selected amounts of accumulated sick time for pension service years. Payments to employees are appropriated from the General Fund.

The following is a summary of management's estimate of vested and non-vested potential liability for lump sum payments to employees.

|             | <u>June 30, 2008</u>        |
|-------------|-----------------------------|
| Vested:     |                             |
| Sick        | \$ 11,940                   |
| Vacation    | 12,115                      |
| Non-vested: |                             |
| Sick        | <u>7,468</u> *              |
| <br>Total   | <br>\$ <u><u>31,523</u></u> |

\* Based on estimated percentage of total non-vested obligation that potentially will vest in future years.

### **Net Pension Obligation**

See Note 13.

### Business-Type Activities

#### Changes in Long-term Liabilities

Long-term liabilities activities for the year ended June 30, 2008, was as follows:

|                           | <u>Business-Type Activities</u> |                        |                          |                             |                                |
|---------------------------|---------------------------------|------------------------|--------------------------|-----------------------------|--------------------------------|
|                           | <u>Beginning<br/>Balance</u>    | <u>Additions</u>       | <u>Reductions</u>        | <u>Ending<br/>Balance</u>   | <u>Due Within<br/>One Year</u> |
| Business-type Activities: |                                 |                        |                          |                             |                                |
| General obligation        |                                 |                        |                          |                             |                                |
| bonds                     | \$ 33,175                       | \$                     | \$ 1,210                 | \$ 31,965                   | \$ 1,225                       |
| Less deferred amounts     |                                 |                        |                          |                             |                                |
| on refunding              | <u>(2,592)</u>                  | <u></u>                | <u>(244)</u>             | <u>(2,348)</u>              | <u></u>                        |
| <br>Total Bonds Payable   | <br>\$ <u><u>30,583</u></u>     | <br>\$ <u><u>-</u></u> | <br>\$ <u><u>966</u></u> | <br>\$ <u><u>29,617</u></u> | <br>\$ <u><u>1,225</u></u>     |

The annual requirements to amortize all revenue bond debt outstanding as of June 30, 2008 are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u>  | <u>Total</u>     |
|-----------------------------|------------------|------------------|------------------|
| 2009                        | \$ 1,255         | \$ 1,504         | \$ 2,759         |
| 2010                        | 1,305            | 1,453            | 2,758            |
| 2011                        | 1,365            | 1,398            | 2,763            |
| 2012                        | 1,425            | 1,341            | 2,766            |
| 2013                        | 1,485            | 1,273            | 2,758            |
| 2014-2018                   | 8,675            | 5,128            | 13,803           |
| 2019-2023                   | 11,180           | 2,618            | 13,798           |
| 2024-2025                   | <u>5,275</u>     | <u>243</u>       | <u>5,518</u>     |
| Total                       | <u>\$ 31,965</u> | <u>\$ 14,958</u> | <u>\$ 46,923</u> |

General obligation bonds represent long-term indebtedness backed by the full faith and credit of the City. Parking facility bonds recorded in the Hartford Parking facilities enterprise fund are comprised of the following:

|   |                  |
|---|------------------|
| Morgan Street Garage - Refunding bonds issued 2005; final maturity August 1, 2024; interest at 3.0% to 5.5% | <u>\$ 31,965</u> |
|---|------------------|

## 9. FUND BALANCES

The following is a description of various reserve accounts used to indicate that a portion of equity is legally segregated for a specific purpose and is unavailable for appropriation:

### A. Fund Balance

Reserved for Encumbrances and Commitments - represents outstanding purchase orders at year end on contracts.

Reserved for Housing Assistance - represents the amount of funds accumulated in the Section 8 fund used to provide housing assistance to qualified individuals.

Reserved for Inventory - the balance of inventory accounts has been reserved to indicate that the portion of fund balance represented is not available for appropriation or expenditure.

Reserved for Trusts - represents the amount of funds accumulated in Other Governmental Funds to pay for specific government programs.

Fund balance reserves are as follows:

|                                 | <b>Capital<br/>Improvement<br/>Fund</b> | <b>Other<br/>Governmental<br/>Funds</b> |
|---------------------------------|---|---|
| Encumbrances and<br>commitments | \$ 63,892                               | \$ 5,085                                |
| Housing assistance              |   | 5,960                                   |
| Inventory                       |   | 303                                     |
| Trusts                          |   | 19,987                                  |
| <b>Total</b>                    | <b>\$ 63,892</b>                        | <b>\$ 31,335</b>                        |

## 10. RISK MANAGEMENT

The City has established a risk management program (Internal Service Funds) to account for and finance its uninsured risks of loss for employee benefits, workers' compensation, and liability and property damage. Under this program, the fund provides coverage for up to a maximum of \$250 thousand in health insurance claims for each individual per claim year, \$1 million for each worker's compensation claim, \$500 thousand for each auto and general liability claim, and \$100 thousand for each property damage claim. The City purchases commercial insurance for claims in excess of coverage provided by the fund and for all other risks of loss. Settled claims have not exceeded either the self insured retention or the commercial coverage in any of the past three fiscal years. Workers' compensation salary continuation is paid from the employee's respective department budget.

The General Fund makes payments to the Self Insurance Fund based on actuarial or underwriting estimates of the amounts needed to pay current-year claims and administrative expenses and to maintain a reserve for unanticipated and future losses. The claims liability of \$35.1 million, reported in the fund at June 30, 2008 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Fund's claims liability amount in fiscal years 2008 and 2007 were:

|                      | <b>Beginning of<br/>Fiscal Year<br/>Liability</b> | <b>Current<br/>Year<br/>Claims and<br/>Changes in<br/>Estimates</b> | <b>Claim<br/>Payments</b> | <b>Ending<br/>Fiscal Year<br/>Liability</b> |
|----------------------|---|---|---------------------------|---|
| Self Insurance Fund: |   |   |                           |   |
| 2006-2007            | \$ 36,132   | \$ 80,198   | \$ 81,940                 | \$ 34,390                                   |
| 2007-2008            | 34,390  | 90,994  | 90,301                    | 35,083                                      |

## **11. COMMITMENTS AND CONTINGENCIES**

### **A. Contractual Commitments**

On June 30, 1982, the City entered into a service agreement with the Connecticut Resources Recovery Authority (CRRA) to which it is obligated to deliver a minimum tonnage of fifty-five thousand tons per year of solid waste for processing. The service fee is subject to annual revision based on the net cost of operating the facility. Pursuant to its terms, the service agreement pledges the full faith and credit of the City for payment of the service fees. The service agreement expires in 2012.

### **B. Statutory Commitments**

The City is a member of the Metropolitan District (a quasi-municipal corporation that provides water supply and sewerage collection and disposal facilities for members), and is contingently liable for \$29.4 million or 27.49% of the debt of the District.

### **C. Contingencies**

The Office of Corporation Counsel for the City, represents the City, its various departments and divisions and the Board of Education directly or by oversight responsibility in connection with many instances of litigation. Cases involve tax appeals, negligence, foreclosure, zoning, personnel, and other miscellaneous court actions and administrative agency proceedings. In the opinion of the City's Corporation Counsel, a conservatively estimated liability of \$18 million could exist, if all claims and suits were resolved unfavorable against the City, including tax appeals and excluding workers' compensation.

## **12. OTHER POSTEMPLOYMENT BENEFITS**

The City, in accordance with various collective bargaining agreements, is committed to provide health and other benefits to eligible retirees and their spouses. Benefits are established and amended through negotiations between the City and the various unions representing City employees. The City pays the full cost of life insurance premiums. The percentage contribution of employees and retirees for medical benefits are negotiated with the various unions representing the employees. Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts towards the cost of receiving benefits under the City's self-insured medical benefits program.

### **Funding Policy**

The City currently funds claims and administrative costs for postemployment benefits through its self-insured internal service fund. The City's OPEB committee is evaluating various funding options to enable the City to implement a funding strategy that will balance the budgetary impact of irrevocably segregating assets in a trust fund with the City's commitment to meet the funding requirements of the actuarial accrued liability. The City anticipates a commitment to fund the normal cost and a long-term approach to the amortization of the actuarial accrued liability.

The City has not implemented a trust fund, as of June 30, 2008, to irrevocably segregate assets to fund the liability associated with postemployment benefits, which would require the reporting of a trust fund in accordance with GASB guidelines.

The following is the current census of City benefit participants as of July 1, 2007:

|                      |                      |
|----------------------|----------------------|
|                      | <i>(not rounded)</i> |
| Active members       | 5,730                |
| Retirees and spouses | <u>4,334</u>         |
| Total                | <u><u>10,064</u></u> |

Postemployment retiree benefit payments for the year ended June 30, 2008, net of retiree and other contributions, amounted to \$15,425.

#### **Annual OPEB Cost and Net OPEB Obligations**

The City of Hartford's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement #45. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of future events. Assumptions include future employment, mortality, and healthcare and other benefit cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation (asset):

|  | <b>Other Post<br/>Employment<br/>Benefits (OPEB)</b> |
|--|--|
| Annual required contribution (ARC)         | \$ 31,600  |
| Interest on net OPEB obligation            | -  |
| Adjustment to annual required contribution | -  |
| Annual OPEB cost                           | <u>31,600</u>  |
| Contributions made                         | <u>(15,425)</u>                                      |
| Increase in net OPEB obligation            | 16,175   |
| Net OPEB obligation, beginning of year     | <u>-</u>   |
| Net OPEB Obligation, End of Year           | <u><u>\$ 16,175</u></u>                              |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal year ended June 30, 2008 is presented below. Data is only presented for the fiscal year ended June 30, 2008, due to this being the year of implementation.

| <u>Fiscal Year Ending</u> | <u>Annual OPEB Cost (AOC)</u> | <u>Actual Contribution</u> | <u>Percentage of AOC Contributed</u> | <u>Net OPEB Obligation</u> |
|---------------------------|-------------------------------|----------------------------|--------------------------------------|----------------------------|
| 6/30/08                   | \$ 31,600                     | \$ 15,425                  | 51.2%                                | \$ 16,175                  |

Projections for benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2007 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions include an 8.0% investment rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date.

An annual healthcare cost blended trend rate of 8.3% is used initially, decreasing 1% per year to an ultimate rate of 5% for 2011 and later. The remaining amortization period at July 1, 2007 was 30 years. As of July 1, 2007, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was approximately \$373 million, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$373 million.

The schedule of funding progress, presented below, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Data is only presented for July 1, 2007 due to this being the first certified valuation.

| <u>Schedule of Funding Progress</u> |                                      |  |                           |                            |   |  |
|-------------------------------------|--------------------------------------|--|---------------------------|----------------------------|---|--|
| <u>Actuarial Valuation Date</u>     | <u>Actuarial Value of Assets (a)</u> | <u>Actuarial Liability (AAL) Entry Age (b)</u> | <u>Funded Ratio (a/b)</u> | <u>Covered Payroll (c)</u> | <u>UFAL as a % of Covered Payroll ((b-a)/c)</u> |  |
| 7-1-07                              | \$ -0-                               | \$ 373,386                                     | 0%                        | \$ N/A                     | N/A   |  |

**Schedule of Employer Contributions**

| <u>Year Ended</u> | <u>Annual Required Contribution</u> | <u>Percentage Contributed</u> |
|-------------------|-------------------------------------|-------------------------------|
| 6/30/2008         | \$ 31,600                           | 51.2%                         |

### 13. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

There are four defined benefit pension plans for employees of the City of Hartford. Two are single-employer plans, one is a cost sharing multiple-employer plan with the State of Connecticut, and one is a plan with the State of Connecticut for certified teachers at the Board of Education in which the City is a noncontributing employer.

The two single employer plans are administered by the City. The plans provide retirement, disability and survivorship benefits for all retired employees, in accordance with provisions which are subject to bargaining with unions representing most of the employees. The City provides retirement benefits for employees hired since 1947, through the City MERF, a contributory, defined benefit plan. Employees hired before the current City MERF went into effect on May 1, 1947 are paid from an unfunded program known as the RAF/PBF/FRF Plan. There are no remaining active members and the unfunded liability is decreasing rapidly.

An actuarial valuation survey is made annually on the City Municipal Employees' Retirement Fund (City MERF) and the Section 415 Plan, and at least every five years for the RAF/PBF/FRF Plan.

The City also administers an excess benefit plan established to fund that portion of certain retirees' pension benefits that exceed the limits permitted under Section 415 of the Federal Internal Revenue Code (IRC).

#### **City of Hartford Municipal Employees' Retirement Fund (City MERF)**

##### **A. Plan Description**

The City MERF is considered to be part of the City of Hartford's financial reporting entity and is included in the City's financial statements, as a pension trust fund. Individual stand-alone statements are not issued. The City MERF was established as part of the City Charter.

As of the actuarial valuation date, July 1, 2007, City MERF membership consisted of:

|  |                      |
|--|----------------------|
|  | <i>(not rounded)</i> |
| Retirees and beneficiaries currently receiving benefits              | 2,709                |
| Terminated employees entitled to benefits but not yet receiving them | 108                  |
| Active plan members  | <u>2,571</u>         |
| Total  | <u><u>5,388</u></u>  |

The City provides retirement benefits, for employees hired since May 1, 1947, through the City MERF, a single employer, contributory defined benefit plan. Under the Plan, all full-time employees, except teachers and members of certain union groups who have elected to join the State Municipal Employees' Retirement Fund (State MERF-B), are eligible. Employees are 100 percent vested after 5 or 10 years of service depending on the covered group. If an employee leaves covered employment or dies before becoming vested, accumulated employee contributions are returned with interest.

##### **B. Summary of Significant Accounting Policies, Plan Changes and Plan Asset Matters**

Basis of Accounting: City MERF financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Benefit payments and refunds are payable when due and payable in accordance with the terms of the Plan. Investments are reported at fair value.

Plan Changes:

The valuation reflects ad hoc cost of living increases granted to eligible retirees effective July 1, 2007 and other plan provision changes for the Municipal Lawyer's Association and Local 818. Plan provision changes had a minimal impact on plan costs.

The July 1, 2007 actuarial valuation reflects no material changes in actuarial assumptions or methods.

Method Used to Value Investments: Fair value

There were no investments in, loans to or leases with any City MERF official, City of Hartford official, party related to a City MERF official or City of Hartford official, or organization included in the City of Hartford reporting entity.

**C. Funding Policy**

Sworn police officers hired before July 1, 1999 and firefighters are required to contribute 8% of pay. Sworn police officers hired after June 30, 1999 are required to contribute 6.5% of pay. Non-sworn police employees are required to contribute 4% of social security-taxed wages and 7% above the social security-taxed level. Board of Education and General Government employees contribute between 3% and 10.14% of social security-taxed wages and between 6% and 13.14% of wages above the social security-taxed level, depending on their union or non-union grouping. The City is required to contribute the remaining amounts necessary to finance the coverage for its employees. Benefits and contributions are established by the City and may be amended only by the City Council through union negotiation.

**D. Annual Pension Cost and Net Pension Obligations**

The City's annual pension cost and net pension obligation to the City MERF for the current year was as follows:

|  |                 |
|--|-----------------|
| Annual required contribution, 7-1-06 valuation | \$ 13,253       |
| Interest on net pension obligation             | 822             |
| Adjustment to annual required contribution     | <u>(916)</u>    |
| Annual pension cost                            | 13,159          |
| Contributions made                             | <u>(16,584)</u> |
| Increase (decrease) in net pension obligation  | (3,425)         |
| Net Pension Obligation Beginning of Year       | <u>10,172</u>   |
| Net Pension Obligation End of Year             | <u>\$ 6,747</u> |

The annual required contribution for the current year was determined as part of the MERF actuarial valuation dated July 1, 2006. The actuarial method and assumptions used in the July 1, 2007 valuation are presented below:

|                               |                                 |
|-------------------------------|---------------------------------|
| Valuation Date                | 7/01/07                         |
| Actuarial Method              | Aggregate Actuarial Cost Method |
| Amortization Method           | Level Dollar Amount             |
| Remaining Amortization Period | 18 years - open period          |

|                            |  |
|----------------------------|--|
| Asset Valuation Method     | Four-year smoothed market value              |
| Actuarial Assumptions:     |  |
| Investment Rate of Return  | 8.00%  |
| Projected Salary Increases | Projected salary which vary by age and group |
| Inflation Rate             | 3.00%  |
| Cost of Living Adjustments | None   |

#### E. Trend Information

| <u>Fiscal Year Ended</u> | <u>Annual Pension Cost (APC)</u> | <u>Actual Contribution</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|--------------------------|----------------------------------|----------------------------|--------------------------------------|-------------------------------|
| 6/30/06                  | \$ 15,984                        | \$ 11,948                  | 75 %                                 | \$ 11,548                     |
| 6/30/07                  | 15,105                           | 16,481                     | 109                                  | 10,172                        |
| 6/30/08                  | 13,159                           | 16,584                     | 126                                  | 6,747                         |

#### F. Pension Plan Required Supplementary Information

##### Schedule of Funding Progress

The aggregate actuarial cost method that is used for calculating the annual required contribution does not separately identify unfunded actuarial accrued liabilities. Rather, it effectively amortizes them over the average remaining life of active plan members, as part of normal cost. The aggregate actuarial cost method (first adopted for the 1969 valuation) is used for determining the funding requirements for the City MERF.

The schedule of funding progress presented below has been developed using the projected unit cost method for July 1, 2002 to July 1, 2006 and the entry age normal cost method as of July 1, 2007 for the City MERF.

##### Schedule of Funding Progress

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets</u> | <u>Actuarial Accrued Liability (AAL)</u> | <u>Unfunded/ (Overfunded) AAL (UAAL)</u> | <u>Funded Ratio</u> | <u>Covered Payroll</u> | <u>UAAL as a % of Covered Payroll</u> |
|---------------------------------|----------------------------------|--|--|---------------------|------------------------|---------------------------------------|
| 7/01/02                         | \$ 957,390                       | \$ 880,444                               | \$ (76,946)                              | 108.7 %             | \$ 117,498             | (65.5) %                              |
| 7/01/03                         | 965,389                          | 922,258                                  | (43,131)                                 | 104.7               | 110,339                | (39.1)                                |
| 7/01/04                         | 963,044                          | 967,393                                  | 4,349                                    | 99.6                | 107,808                | 4.0                                   |
| 7/01/05                         | 986,405                          | 970,286                                  | (16,119)                                 | 101.7               | 117,261                | (13.7)                                |
| 7/01/06                         | 1,021,491                        | 1,002,848                                | (18,643)                                 | 101.9               | 124,837                | (14.9)                                |
| 7/01/07                         | 1,092,128                        | 1,090,715                                | (1,413)                                  | 100.1               | 133,280                | (1.1)                                 |

**Schedule of Employer Contributions**

| <b>Fiscal Year Ended</b> | <b>Annual Required Contribution</b> | <b>Percentage Contributed</b> |
|--------------------------|-------------------------------------|-------------------------------|
| 6/30/03                  | \$ 2,464                            | 100 %                         |
| 6/30/04                  | 6,536                               | 100                           |
| 6/30/05                  | 9,207                               | 100                           |
| 6/30/06                  | 16,196                              | 74                            |
| 6/30/07                  | 15,463                              | 107                           |
| 6/30/08                  | 13,253                              | 125                           |

**RAF/PBF/FRF Plan**

**A. Plan Description**

As discussed above, the City pays retirement and survivor benefits to pensioners under an unfunded program basis which covered City employees hired before the current City MERF went into effect on May 1, 1947. These programs are combined into one pension trust fund for reporting in the City’s financial statements. Individual stand-alone financial statements are not issued. The unfunded liability for this Plan is decreasing rapidly and has no remaining active members.

There are 261 (not rounded) retirees covered by this plan as of the actuarial valuation dated July 1, 2004.

**B. Summary of Significant Accounting Policies and Plan Asset Matters**

The annual required contribution (ARC) and the annual pension cost represent the actual benefits paid during the year. The annual required contribution is based upon actuarial calculations. The Plan was closed to new members on May 1, 1947 and there are no remaining active members. The unfunded liability for this Plan is rapidly decreasing. The City has determined that the Plan did not have a net pension obligation (NPO) as calculated in accordance with the transition requirements of GASB Statement No. 27. All contributions since the transition have been made in accordance with the actuarial required contribution and are based upon actuarially sound funding methodology.

**C. Funding Policy**

Funds are budgeted in the General Fund to cover pension benefits paid each year. Annual contributions are equal to the annual benefit payments. Retired policemen contribute 1% of pension payments. Benefits and contributions were established by City Charter and are not subject to amendment.

**D. Annual Pension Cost and Net Pension Obligation**

The City’s annual pension cost, which is equal to the annual benefit payments, for the current year amounted to \$2.0 million. The Plan did not have a net pension obligation as of June 30, 2008.

The actuarial method and assumptions are presented below:

|                               |                                 |
|-------------------------------|---------------------------------|
| Actuarial Cost Method         | Projected Unit Credit           |
| Amortization Method           | Level Dollar                    |
| Remaining Amortization Period | Closed - no amortization period |

Actuarial Assumptions:

|                            |      |
|----------------------------|------|
| Investment Rate of Return  | 8%   |
| Projected Salary Increases | None |
| Inflation Rate             | 3%   |
| Cost of Living Adjustments | None |

**E. Trend Information**

| <u>Fiscal Year Ended</u> | <u>Annual Pension Cost (APC)</u> | <u>Actual Contribution</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|--------------------------|----------------------------------|----------------------------|--------------------------------------|-------------------------------|
| 6/30/06                  | \$ 1,926                         | \$ 1,926                   | 100                                  | % \$ -                        |
| 6/30/07                  | 1,757                            | 1,757                      | 100                                  | -                             |
| 6/30/08                  | 1,967                            | 1,967                      | 100                                  | -                             |

**F. Pension Plan Required Supplementary Information**

The actuarial accrued liability is the calculated present value of expected payments to be made from this Plan.

**Schedule of Funding Progress**

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets</u> | <u>Actuarial Accrued Liability (AAL)*</u> | <u>Unfunded AAL (UAAL)</u> | <u>Funded Ratio</u> | <u>Covered Payroll</u> | <u>UAAL as a % of Covered Payroll</u> |
|---------------------------------|----------------------------------|---|----------------------------|---------------------|------------------------|---------------------------------------|
| 7/01/02                         | \$ -                             | \$ 13,688                                 | \$ 13,688                  | 0.0                 | % \$ N/A               | N/A                                   |
| 7/01/03                         | -                                | 12,259                                    | 12,259                     | 0.0                 | N/A                    | N/A                                   |
| 7/01/04                         | -                                | 11,706                                    | 11,706                     | 0.0                 | N/A                    | N/A                                   |
| 7/01/05                         | -                                | 11,123                                    | 11,123                     | 0.0                 | N/A                    | N/A                                   |
| 7/01/06                         | -                                | 9,389                                     | 9,389                      | 0.0                 | N/A                    | N/A                                   |
| 7/01/07                         | -                                | 8,276                                     | 8,276                      | 0.0                 | N/A                    | N/A                                   |

\* Based on July 1, 1999 and July 1, 2004 full valuations, adjusted for deaths.

**Schedule of Employer Contributions**

| <u>Fiscal Year Ended</u> | <u>Annual Required Contribution</u> | <u>Percentage Contributed</u> |
|--------------------------|-------------------------------------|-------------------------------|
| 6/30/03                  | \$ 3,067                            | 100                           |
| 6/30/04                  | 2,816                               | 100                           |
| 6/30/05                  | 2,519                               | 100                           |
| 6/30/06                  | 1,926                               | 100                           |
| 6/30/07                  | 1,757                               | 100                           |
| 6/30/08                  | 1,967                               | 100                           |

**City of Hartford 415 (m) Fund**

**A. Plan Description**

This plan currently covers six (6) retirees and no active employees as of June 30, 2008 and is administered by the City. This unfunded plan is an excess benefit plan and was adopted by the Common Council on March 24, 1997. The plan was established to fund that portion of certain retirees' pension benefits that exceed the limits permitted under Section 415 of the Federal Internal Revenue Code (IRC).

**B. Funding Policy**

Funds are budgeted in the General Fund to cover pension benefits paid each year. Annual contributions are equal to the annual benefit payments. The Plan was adopted on March 24, 1997 and there are no active members. The unfunded liability for this Plan is rapidly decreasing. Since the effective date for the plan was March 24, 1997, the Plan did not have a net pension obligation (NPO) as calculated in accordance with the transition requirements of GASB Statement No. 27. Benefits and contributions were established by City Charter and are not subject to amendment.

**C. Annual Pension Cost and Net Pension Obligation.**

The City's annual pension cost, which is equal to the annual benefit payments, for the current year amounted to \$61. The Plan does not have a net pension obligation. The City's annual pension cost is equal to the actual contribution made (annual benefit payments).

The actuarial method and assumptions are presented below:

|                               |                                 |
|-------------------------------|---------------------------------|
| Actuarial Cost Method         | Projected Unit Credit           |
| Amortization Method           | Level Dollar                    |
| Remaining Amortization Period | Closed - no amortization period |
| Actuarial Assumptions:        |                                 |
| Investment Rate of Return     | 8%                              |
| Projected Salary Increases    | None                            |
| Inflation Rate                | 3%                              |
| Cost of Living Adjustments    | None                            |

**D. Trend Information**

| <u>Fiscal Year Ended</u> | <u>Annual Pension Cost (APC)</u> | <u>Actual Contribution</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|--------------------------|----------------------------------|----------------------------|--------------------------------------|-------------------------------|
| 6/30/06                  | \$ 39                            | \$ 39                      | 100 %                                | -                             |
| 6/30/07                  | 53                               | 53                         | 100                                  | -                             |
| 6/30/08                  | 61                               | 61                         | 100                                  | -                             |

**E. Pension Plan Required Supplementary Information**

The actuarial accrued liability is the calculated present value of the expected payments to be made for this unfunded plan.

**Schedule of Funding Progress**

| <u>Actuarial<br/>Valuation<br/>Date</u> | <u>Actuarial<br/>Value of<br/>Assets</u> | <u>Actuarial<br/>Accrued<br/>Liability<br/>(AAL)</u> | <u>Unfunded<br/>AAL<br/>(UAAL)</u> | <u>Funded<br/>Ratio</u> | <u>Covered<br/>Payroll</u> | <u>UAAL<br/>as a % of<br/>Covered<br/>Payroll</u> |
|---|--|--|------------------------------------|-------------------------|----------------------------|---|
| 7/01/02                                 | \$ -                                     | \$ 66  | \$ 66                              | 0.0                     | % N/A                      | N/A   |
| 7/01/03                                 | -  | 46   | 46                                 | 0.0                     | N/A                        | N/A   |
| 7/01/04                                 | -  | 141  | 141                                | 0.0                     | N/A                        | N/A   |
| 7/01/05                                 | -  | 168  | 168                                | 0.0                     | N/A                        | N/A   |
| 7/01/06                                 | -  | 167  | 167                                | 0.0                     | N/A                        | N/A   |
| 7/01/07                                 | -  | 260  | 260                                | 0.0                     | N/A                        | N/A   |

**Schedule of Employer Contributions**

| <u>Fiscal<br/>Year<br/>Ended</u> | <u>Annual<br/>Required<br/>Contribution</u> | <u>Percentage<br/>Contributed</u> |
|----------------------------------|---|-----------------------------------|
| 6/30/03                          | \$ 21                                       | 100 %                             |
| 6/30/04                          | 34  | 100                               |
| 6/30/05                          | 48  | 100                               |
| 6/30/06                          | 39  | 100                               |
| 6/30/07                          | 53  | 100                               |
| 6/30/08                          | 61  | 100                               |

## **State MERF-B**

Members of City AFSCME Local 1716 and members of Local 566, which consisted of 697 members on June 30, 2007, participate in the Municipal Employees' Retirement Fund (MERF), a cost-sharing multiple-employer public employee retirement system (PERS) established by the State of Connecticut and administered by the State Retirement Commission to provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to the employees and beneficiaries of participating municipalities. Chapter 113 Part II of the General Statutes of Connecticut, which can be amended by legislative action, establishes PERS benefits, member contribution rates, and other plan provisions. MERF is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106 or by calling 860-702-3480.

*Funding Policy* - Plan members are required by State Statute to contribute 2-1/4% of earnings upon which Social Security tax is paid plus 5% of earnings on which no Social Security tax is paid. Each participating municipality is required to contribute at an actuarially determined rate. The contribution requirements of the City are established and may be amended by the State Retirement Commission. Total contributions to MERF for the years ended June 30, 2008, 2007 and 2006 were \$3.1 million, \$3.4 million and \$3.1 million, respectively, equal to the City's required contributions for each year.

## **Teachers' Retirement System**

All City of Hartford certified teachers participate in the State of Connecticut Teachers' Retirement System, a cost-sharing multiple-employer public employee retirement system (PERS), established under Section 10.183 of the General Statutes of the State of Connecticut. A teacher is eligible to receive a normal retirement benefit if he or she has: (1) attained age sixty and has accumulated twenty years of credited service in the public schools of Connecticut, or (2) attained any age and has accumulated thirty-five years of credited service, at least twenty-five years of which are service in the public schools of Connecticut.

The Board of Education withholds 7.25% of all teachers' annual salaries, \$10.1 million in fiscal year 2008, and transmits the funds to the State Teachers' Retirement Board. Teacher payroll subject to retirement amounted to \$139 million or 67% of the total Board of Education payroll of \$208 million.

The retirement system for teachers is funded by the State based upon the recommendation of the Teachers' Retirement Board. Such contribution includes amortization of actuarially computed unfunded liability. The City does not have any liability for teacher pensions. For the year ended June 30, 2008 the City has recorded, in the General Fund (Exhibit IV), intergovernmental revenue and education expenditures in the amount of \$102.8 million as payments made by the State of Connecticut on-behalf of the City. The 2008 contribution includes an additional contribution towards the State's unfunded liability resulting from the State's issuance of pension obligation bonds.

The State of Connecticut Teacher Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106.

**Pension Trust Funds**

The City maintains two pension trust funds (Municipal Employees' Retirement Fund and the RAF/PBF/FRF) to account for its fiduciary responsibility. The following schedules present the net assets held in trust for pension benefits at June 30, 2008 and the changes in net assets for the year then ended.

**Schedule of Plan Net Assets**

|  | <b>Municipal<br/>Employee's<br/>Retirement<br/>Fund</b> | <b>RAF/PBF<br/>FRF<br/>Plan</b> | <b>Totals</b>       |
|--|---|---------------------------------|---------------------|
| <b>Assets:</b>                                       |   |                                 |                     |
| Cash and cash equivalents                            | \$ 46,883   | \$ 174                          | \$ 47,057           |
| <b>Investments:</b>                                  |   |                                 |                     |
| Fixed income securities                              | 310,695   |                                 | 310,695             |
| Equities   | 605,419   |                                 | 605,419             |
| Private equity contracts                             | 156,421   |                                 | 156,421             |
| Accrued investment earnings                          | 4,161   |                                 | 4,161               |
| Other  | 1,162   |                                 | 1,162               |
| Loan receivable                                      | 1,800   |                                 | 1,800               |
| Total assets   | 1,126,541   | 174                             | 1,126,715           |
| <b>Liabilities:</b>                                  |   |                                 |                     |
| Accounts payable and accrued liabilities             | 119   | 130                             | 249                 |
| Net settlement due on investments purchased/sold     | 43,731  |                                 | 43,731              |
| Due to other funds                                   | 1,359   | 4                               | 1,363               |
| Total liabilities                                    | 45,209  | 134                             | 45,343              |
| <b>Net Assets Held in Trust for Pension Benefits</b> | <b>\$ 1,081,332</b>                                     | <b>\$ 40</b>                    | <b>\$ 1,081,372</b> |

## Schedule of Changes in Plan Net Assets

|   | <b>Municipal<br/>Employees'<br/>Retirement<br/>Fund</b> | <b>RAF/PBF<br/>FRF<br/>Plan</b> | <b>Totals</b>       |
|---|---|---------------------------------|---------------------|
| Additions:  |   |                                 |                     |
| Contributions:  |   |                                 |                     |
| Employer - ARC  | \$ 16,584   | \$ 1,967                        | \$ 18,551           |
| Employer - other  | 1,778   |                                 | 1,778               |
| Plan members  | 9,758   | 11                              | 9,769               |
| Total contributions   | <u>28,120</u>   | <u>1,978</u>                    | <u>30,098</u>       |
| Investment income (loss):   |   |                                 |                     |
| Net depreciation in fair value of investments                       | (31,955)  |                                 | (31,955)            |
| Interest and dividends  | 19,838  |                                 | 19,838              |
| Total investment loss   | <u>(12,117)</u>   | -                               | <u>(12,117)</u>     |
| Less investment expense   | (4,543)   |                                 | (4,543)             |
| Net investment loss   | <u>(16,660)</u>   | -                               | <u>(16,660)</u>     |
| Other additions   | <u>504</u>  |                                 | <u>504</u>          |
| Total additions   | <u>11,964</u>   | <u>1,978</u>                    | <u>13,942</u>       |
| Deductions:   |   |                                 |                     |
| Benefits  | 79,398  | 1,967                           | 81,365              |
| Administration  | 2,733   |                                 | 2,733               |
| Other   | 754   |                                 | 754                 |
| Total deductions  | <u>82,885</u>   | <u>1,967</u>                    | <u>84,852</u>       |
| Net increase (decrease)   | (70,921)  | 11                              | (70,910)            |
| Net Assets Held in Trust for Pension Benefits,<br>Beginning of Year | <u>1,152,253</u>  | <u>29</u>                       | <u>1,152,282</u>    |
| Net Assets Held in Trust for Pension Benefits,<br>End of Year       | <u>\$ 1,081,332</u>                                     | <u>\$ 40</u>                    | <u>\$ 1,081,372</u> |

## CITY OF HARTFORD, CONNECTICUT

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2008**

(In Thousands)

|   | Budgeted Amounts |                | Actual         | Variance<br>Favorable<br>(Unfavorable) |
|---|------------------|----------------|----------------|--|
|   | Original         | Final          |                |  |
| General Property Tax:                           |                  |                |                |  |
| Current Year's Levy                             | \$ 221,225       | \$ 221,225     | \$ 217,856     | \$ (3,369)                             |
| Levy of Prior Years                             | 10,050           | 10,050         | 12,072         | 2,022                                  |
| Interest and Liens                              | 3,000            | 3,000          | 3,027          | 27                                     |
| Total General Property Tax                      | <u>234,275</u>   | <u>234,275</u> | <u>232,955</u> | <u>(1,320)</u>                         |
| Other Local Taxes:                              |                  |                |                |  |
| Business Taxes                                  | <u>2,700</u>     | <u>2,300</u>   | <u>1,680</u>   | <u>(620)</u>                           |
| Licenses and Permits:                           |                  |                |                |  |
| Street Use                                      | <u>20</u>        | <u>7</u>       | <u>49</u>      | <u>42</u>                              |
| Business Licenses:                              |                  |                |                |  |
| Health Licenses                                 | 150              | 300            | 217            | (83)                                   |
| Police and Protection Licenses                  | 51               | 43             | 32             | (11)                                   |
| Professional and Occupational Licenses          | 8                | 8              | 7              | (1)                                    |
| Total Business Licenses                         | <u>209</u>       | <u>351</u>     | <u>256</u>     | <u>(95)</u>                            |
| Non-Business Licenses and Permits:              |                  |                |                |  |
| Building Structure and Equipment Permits        | 5,168            | 7,459          | 7,539          | 80                                     |
| Other Non-Business Licenses and Permits         | 44               | 60             | 54             | (6)                                    |
| Total Non-Business Licenses and Permits         | <u>5,212</u>     | <u>7,519</u>   | <u>7,593</u>   | <u>74</u>                              |
| Total Licenses and Permits                      | <u>5,441</u>     | <u>7,877</u>   | <u>7,898</u>   | <u>21</u>                              |
| Fines, Forfeits and Penalties                   | <u>231</u>       | <u>231</u>     | <u>272</u>     | <u>41</u>                              |
| Revenue from Use of Money and Property:         |                  |                |                |  |
| Income from Investments                         | 4,722            | 4,075          | 1,714          | (2,361)                                |
| Income from Use of Property                     | 1,528            | 1,529          | 1,043          | (486)                                  |
| Income from Development Properties              | 3,986            | 3,986          | 3,251          | (735)                                  |
| Total Revenue from Use of<br>Money and Property | <u>10,236</u>    | <u>9,590</u>   | <u>6,008</u>   | <u>(3,582)</u>                         |
| Intergovernmental Revenue:                      |                  |                |                |  |
| Federal Government - FEMA                       | <u>200</u>       | <u>200</u>     |                | <u>(200)</u>                           |

(Continued on next page)

## CITY OF HARTFORD, CONNECTICUT

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2008  
(In Thousands)**

|  | <u>Budgeted Amounts</u> |                | <u>Actual</u>  | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|--|-------------------------|----------------|----------------|---|
|  | <u>Original</u>         | <u>Final</u>   |                |   |
| Intergovernmental Revenue (continued): |                         |                |                |   |
| State of Connecticut:                  |                         |                |                |   |
| Education                              | \$ 179,011              | \$ 187,638     | \$ 186,382     | \$ (1,256)                                      |
| Housing                                |                         |                | 505            | 505   |
| Public Works                           | 772                     | 611            | 611            | -   |
| Elderly Services                       | 357                     | 357            | 419            | 62  |
| Mashantucket Pequot Fund               | 10,759                  | 9,773          | 9,528          | (245)   |
| Payment in Lieu of Taxes               | 40,348                  | 40,562         | 40,358         | (204)   |
| Shared Taxes                           | 401                     | 401            | 363            | (38)  |
| Other                                  | 450                     |                | 40             | 40  |
| Total State of Connecticut             | <u>232,098</u>          | <u>239,342</u> | <u>238,206</u> | <u>(1,136)</u>                                  |
| Total Intergovernmental Revenue        | <u>232,298</u>          | <u>239,542</u> | <u>238,206</u> | <u>(1,336)</u>                                  |
| Charges for Services:                  |                         |                |                |   |
| General Government:                    |                         |                |                |   |
| Court Costs, Fees and Charges          | 12                      | 12             |                | (12)  |
| Recording Legal Instruments            | 522                     | 522            | 414            | (108)   |
| All Other                              | 986                     | 1,313          | 846            | (467)   |
| Total General Government               | <u>1,520</u>            | <u>1,847</u>   | <u>1,260</u>   | <u>(587)</u>                                    |
| Public Safety:                         |                         |                |                |   |
| Police Charges                         | 275                     | 281            | 194            | (87)  |
| Fire Protection Services               | 306                     | 306            | 274            | (32)  |
| Total Public Safety                    | <u>581</u>              | <u>587</u>     | <u>468</u>     | <u>(119)</u>                                    |
| Public Works:                          |                         |                |                |   |
| Highways and Streets                   | 1                       | 1              | 1              | -   |
| Sanitation                             | 575                     | 407            | 359            | (48)  |
| Total Public Works                     | <u>576</u>              | <u>408</u>     | <u>360</u>     | <u>(48)</u>                                     |
| Other:                                 |                         |                |                |   |
| Health                                 |                         | 22             | 9              | (13)  |
| Social Services                        | 10                      | 10             |                | (10)  |
| Education                              |                         |                | 5              | 5   |
| Recreation                             | 8                       | 8              | 8              | -   |
| Miscellaneous                          | 118                     | 171            | 84             | (87)  |
| Total Other                            | <u>136</u>              | <u>211</u>     | <u>106</u>     | <u>(105)</u>                                    |
| Total Charges for Services             | <u>2,813</u>            | <u>3,053</u>   | <u>2,194</u>   | <u>(859)</u>                                    |

(Continued on next page)

## CITY OF HARTFORD, CONNECTICUT

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2008**

**(In Thousands)**

|                                     | <u>Budgeted Amounts</u> |                   | <u>Actual</u> | <u>Variance</u>                    |
|-------------------------------------|-------------------------|-------------------|---------------|------------------------------------|
|                                     | <u>Original</u>         | <u>Final</u>      |               | <u>Favorable<br/>(Unfavorable)</u> |
| Reimbursements:                     |                         |                   |               |                                    |
| General Government                  | \$ 15                   | \$ 15             | \$ 146        | \$ 131                             |
| Medicaid Part D                     | 700                     | 2,000             | 1,821         | (179)                              |
| Other                               | 794                     | 794               | 836           | 42                                 |
| Reimbursements from other funds     | 2,084                   | 2,161             | 4,330         | 2,169                              |
| Total Reimbursements                | <u>3,593</u>            | <u>4,970</u>      | <u>7,133</u>  | <u>2,163</u>                       |
| Other Revenues:                     |                         |                   |               |                                    |
| Bond Premium                        |                         | 1,000             |               | (1,000)                            |
| Settlements                         | 615                     | 615               | 3,615         | 3,000                              |
| Miscellaneous                       | 7,179                   | 8,076             | 499           | (7,577)                            |
| Prior Year Encumbrance Liquidations | 500                     | 1,500             |               | (1,500)                            |
| Total Other Revenues                | <u>8,294</u>            | <u>11,191</u>     | <u>4,114</u>  | <u>(7,077)</u>                     |
| Other Financing Sources:            |                         |                   |               |                                    |
| Transfers in from other funds:      |                         |                   |               |                                    |
| Hartford Parking Facilities Fund    | 6,011                   | 7,011             | 8,323         | 1,312                              |
| Miscellaneous Grants Fund           | 2,100                   | 2,600             | 2,374         | (226)                              |
| Capital Improvement Fund            | 3,789                   | 3,000             | 3,025         | 25                                 |
| Educational Grants Fund             |                         |                   | 993           | 993                                |
| Total Other Financing Sources       | <u>11,900</u>           | <u>12,611</u>     | <u>14,715</u> | <u>2,104</u>                       |
| Total                               | \$ <u>511,781</u>       | \$ <u>525,640</u> | 515,175       | \$ <u>(10,465)</u>                 |

Budgetary revenues are different than GAAP revenues because:

State of Connecticut on-behalf contributions to the Connecticut State Teachers'

Retirement System for City teachers are not budgeted

102,836

Budgetary revenues derived from reimbursements for expenditures allocated to other funds are excluded for GAAP financial statement reporting purposes

(4,330)

Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV

\$ 613,681

## CITY OF HARTFORD, CONNECTICUT

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2008**

|  | <u>Budgeted Amounts</u> |               | <u>Actual</u> | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|--|-------------------------|---------------|---------------|---|
|  | <u>Original</u>         | <u>Final</u>  |               |   |
| General Government:                          |                         |               |               |   |
| Mayor  | \$ 1,620                | \$ 1,754      | \$ 1,754      | \$ -  |
| Court of Common Council                      | 638                     | 643           | 643           | -   |
| City Treasurer                               | 487                     | 454           | 454           | -   |
| Registrars of Voters                         | 763                     | 1,058         | 1,058         | -   |
| Corporation Counsel                          | 1,702                   | 2,901         | 2,901         | -   |
| Town and City Clerk                          | 907                     | 947           | 947           | -   |
| Internal Audit                               | 421                     | 382           | 382           | -   |
| Office of Information Services               | 3,936                   | 4,096         | 4,096         | -   |
| Finance                                      | 3,867                   | 3,588         | 3,588         | -   |
| Human Resources                              | 1,223                   | 1,225         | 1,225         | -   |
| Human Relations                              | 907                     | 796           | 796           | -   |
| Office of Management and Budget              | 1,499                   | 1,147         | 1,147         | -   |
| Office of Youth Services                     | 2,826                   | 2,899         | 2,899         | -   |
| Total General Government                     | <u>20,796</u>           | <u>21,890</u> | <u>21,890</u> | <u>-</u>  |
| Public Safety:                               |                         |               |               |   |
| Fire   | 29,991                  | 31,474        | 31,474        | -   |
| Police                                       | 37,236                  | 37,228        | 37,228        | -   |
| Emergency Services and<br>Telecommunications | 3,631                   | 3,854         | 3,854         | -   |
| Licenses and Inspections                     | 2,013                   | 1,846         | 1,846         | -   |
| Total Public Safety                          | <u>72,871</u>           | <u>74,402</u> | <u>74,402</u> | <u>-</u>  |
| Infrastructure and Leisure Services:         |                         |               |               |   |
| Public Works                                 | <u>13,974</u>           | <u>14,663</u> | <u>14,663</u> | <u>-</u>  |
| Development and Community Affairs:           |                         |               |               |   |
| Administration                               | 622                     | 625           | 625           | -   |
| Planning                                     | 792                     | 708           | 708           | -   |
| Housing and Community Development            | 260                     | 289           | 289           | -   |
| Economic Development                         | 1,117                   | 919           | 919           | -   |
| Total Development and<br>Community Affairs   | <u>2,791</u>            | <u>2,541</u>  | <u>2,541</u>  | <u>-</u>  |

(Continued on next page)

## CITY OF HARTFORD, CONNECTICUT

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2008**

|                                 | <u>Budgeted Amounts</u> |                   | <u>Actual</u> | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|---------------------------------|-------------------------|-------------------|---------------|---|
|                                 | <u>Original</u>         | <u>Final</u>      |               |   |
| Human Services:                 |                         |                   |               |   |
| Heath and Human Services        | \$ 8,174                | \$ 7,917          | \$ 7,917      | \$ -  |
| Education:                      |                         |                   |               |   |
| Board of Education              | 261,000                 | 271,631           | 271,631       | -   |
| Benefits and Insurance:         |                         |                   |               |   |
| Pension Contributions           | 9,487                   | 16,477            | 16,477        | -   |
| Employee Benefits               | 40,990                  | 35,786            | 35,786        | -   |
| Property and Casualty Insurance | 6,852                   | 6,241             | 6,241         | -   |
| Total Benefits and Insurance    | <u>57,329</u>           | <u>58,504</u>     | <u>58,504</u> | <u>-</u>  |
| Sundry:                         |                         |                   |               |   |
| Transfers to Other Funds        | 11,131                  | 11,385            | 11,385        | -   |
| Civic and Cultural Affairs      | 1,947                   | 1,667             | 1,667         | -   |
| Debt Service                    | 29,664                  | 29,864            | 29,864        | -   |
| Payments to Other               |                         |                   |               |   |
| Governmental Agencies           | 9,422                   | 9,278             | 9,278         | -   |
| Settlements                     | 4,880                   | 761               | 761           | -   |
| Other Sundry Items              | 17,802                  | 21,137            | 17,239        | 3,898   |
| Total Sundry                    | <u>74,846</u>           | <u>74,092</u>     | <u>70,194</u> | <u>3,898</u>                                    |
| Total                           | \$ <u>511,781</u>       | \$ <u>525,640</u> | 521,742       | \$ <u>3,898</u>                                 |

Budgetary expenditures are different than GAAP expenditures because:

State of Connecticut on-behalf payments to the Connecticut State Teacher'

Retirement System for City teachers are not budgeted

102,836

Reimbursements from other funds are credited against budgetary expenditures for

GAAP financial statement reporting purposes

(4,330)

Total Expenditures and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV

\$ 620,248

**APPENDIX B**

**FORM OF LEGAL OPINIONS OF BOND COUNSEL**

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[FORM OF OPINION OF BOND COUNSEL – THE BONDS]

September 30, 2009

City of Hartford,  
 Hartford, Connecticut

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the City of Hartford, Connecticut (the “City”), a Tax Regulatory Agreement of the City, dated September 30, 2009 (the “Tax Regulatory Agreement”), and other proofs submitted to us relative to the issuance and sale of \$12,150,000 City of Hartford, Connecticut General Obligation Refunding Bonds, Series 2009, dated as of the date of delivery (the “Bonds”), maturing on November 15 in each of the years, in the principal amounts and bearing interest payable on November 15, 2009 and semiannually thereafter on May 15 and November 15 in each year until maturity, at the rates per annum as follows:

| <u>Year of Maturity</u> | <u>Principal Amount</u> | <u>Interest Rate Per Annum</u> | <u>Year of Maturity</u> | <u>Principal Amount</u> | <u>Interest Rate Per Annum</u> |
|-------------------------|-------------------------|--------------------------------|-------------------------|-------------------------|--------------------------------|
| 2010                    | \$1,435,000             | 2.000%                         | 2015                    | \$1,325,000             | 5.000%                         |
| 2011                    | 1,390,000               | 2.000                          | 2016                    | 1,325,000               | 5.000                          |
| 2012                    | 1,355,000               | 4.000                          | 2017                    | 1,325,000               | 5.000                          |
| 2013                    | 1,345,000               | 4.000                          | 2018                    | 1,325,000               | 5.000                          |
| 2014                    | 1,325,000               | 5.000                          |                         |                         |                                |

with principal payable at the principal office of U.S. Bank National Association, in Hartford, Connecticut, and with interest payable to the registered owner as of the close of business on the last business day of April and October in each year, by check mailed to such registered owner at his address as shown on the registration books of the City kept for such purpose. The Bonds are not subject to redemption prior to maturity.

The Bonds are originally registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), to affect a book-entry system for the ownership and transfer of the Bonds. So long as DTC or its nominee is the registered owner, principal and interest payments on the Bonds will be made to DTC.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and we express no opinion relating thereto, excepting only the matters set forth as our opinion in the Official Statement.

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the Bonds under authority of the Constitution and General Statutes of Connecticut and that the Bonds are a valid general obligation of the City the principal of and interest on which is payable from ad valorem taxes which may be levied on all taxable property subject to taxation by the

City without limitation as to rate or amount except as to classified property, such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. We are further of the opinion that the Tax Regulatory Agreement is a valid and binding agreement of the City.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met at and subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income for federal income tax purposes. The City has covenanted in the Tax Regulatory Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the Bonds shall be excluded from gross income for federal income tax purposes under the Code.

In our opinion, under existing statutes and court decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax. Interest on the Bonds is, however, includable in adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. We express no opinion regarding any other federal income tax consequences caused by ownership or disposition of, or receipt of interest on, the Bonds.

In rendering the foregoing opinions regarding the federal tax treatment of interest on the Bonds, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and expectations, and certifications of fact contained in the Tax Regulatory Agreement, and (ii) the compliance by the City with the covenants and procedures set forth in the Tax Regulatory Agreement as to such tax matters.

We are further of the opinion that, under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. We express no opinion regarding any other State or local tax consequences caused by the ownership or disposition of the Bonds.

The rights of owners of the Bonds and the enforceability of the Bonds and the Tax Regulatory Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors rights generally and by application of equitable principles, whether considered at law or in equity.

Very truly yours,

ROBINSON & COLE LLP

[FORM OF LEGAL OPINION OF BOND COUNSEL – THE BANS]

September 30, 2009

City of Hartford,  
Hartford, Connecticut

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the City of Hartford, Connecticut (the “City”), a Tax Regulatory Agreement of the City, dated September 30, 2009 (the “Tax Regulatory Agreement”), and other proofs submitted to us relative to the issuance and sale of \$5,000,000 City of Hartford, Connecticut General Obligation Bond Anticipation Notes, Series 2009 B, dated as of the date of delivery and maturing April 15, 2010, consisting of Note R-1 in the aggregate principal amount of \$5,000,000, bearing interest at the rate of 2.250% per annum, with principal and interest payable at maturity (the “Notes”). The Notes are not subject to redemption prior to maturity.

The Notes are originally registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), to affect a book-entry system for the ownership and transfer of the Notes. So long as DTC or its nominee is the registered owner, principal and interest payments on the Notes will be made to DTC.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Notes, and we express no opinion relating thereto, excepting only the matters set forth as our opinion in the Official Statement.

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the Notes under authority of the Constitution and General Statutes of Connecticut and that the Notes are a valid general obligation of the City the principal of and interest on which is payable from ad valorem taxes which may be levied on all taxable property subject to taxation by the City without limitation as to rate or amount except as to classified property, such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. We are further of the opinion that the Tax Regulatory Agreement is a valid and binding agreement of the City.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met at and subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain excluded from gross income for federal income tax purposes. The City has covenanted in the Tax Regulatory Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the Notes shall be excluded from gross income for federal income tax purposes under the Code.

In our opinion, under existing statutes and court decisions, interest on the Notes is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax and is not taken into account in the

calculation of adjusted current earnings for purposes of computing the federal alternative minimum tax imposed on corporations. We express no opinion regarding any other federal income tax consequences caused by ownership or disposition of, or receipt of interest on, the Notes.

In rendering the foregoing opinions regarding the federal tax treatment of interest on the Notes, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and expectations, and certifications of fact contained in the Tax Regulatory Agreement, and (ii) the compliance by the City with the covenants and procedures set forth in the Tax Regulatory Agreement as to such tax matters.

We are further of the opinion that, under existing statutes, interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. We express no opinion regarding any other State or local tax consequences caused by the ownership or disposition of the Notes.

The rights of owners of the Notes and the enforceability of the Notes and the Tax Regulatory Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by application of equitable principles, whether considered at law or in equity.

Very truly yours,

ROBINSON & COLE LLP

[FORM OF LEGAL OPINION OF BOND COUNSEL – THE GANS]

September 30, 2009

City of Hartford,  
Hartford, Connecticut

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the City of Hartford, Connecticut (the “City”), a Tax Regulatory Agreement of the City, dated September 30, 2009 (the “Tax Regulatory Agreement”), and other proofs submitted to us relative to the issuance and sale of \$35,000,000 City of Hartford, Connecticut General Obligation Grant Anticipation Notes, Series 2009, dated as of the date of delivery and maturing April 15, 2010, consisting of Note R-1 in the aggregate principal amount of \$35,000,000 bearing interest at the rate of 2.000% per annum, with principal and interest payable at maturity (the “Notes”). The Notes are not subject to redemption prior to maturity.

The Notes are originally registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), to affect a book-entry system for the ownership and transfer of the Notes. So long as DTC or its nominee is the registered owner, principal and interest payments on the Notes will be made to DTC.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Notes, and we express no opinion relating thereto, excepting only the matters set forth as our opinion in the Official Statement.

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the Notes under authority of the Constitution and General Statutes of Connecticut and that the Notes are a valid general obligation of the City the principal of and interest on which is payable from ad valorem taxes which may be levied on all taxable property subject to taxation by the City without limitation as to rate or amount except as to classified property, such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. We are further of the opinion that the Tax Regulatory Agreement is a valid and binding agreement of the City.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met at and subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain excluded from gross income for federal income tax purposes. The City has covenanted in the Tax Regulatory Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the Notes shall be excluded from gross income for federal income tax purposes under the Code.

In our opinion, under existing statutes and court decisions, interest on the Notes is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax and is not taken into account in the

calculation of adjusted current earnings for purposes of computing the federal alternative minimum tax imposed on corporations. We express no opinion regarding any other federal income tax consequences caused by ownership or disposition of, or receipt of interest on, the Notes.

In rendering the foregoing opinions regarding the federal tax treatment of interest on the Notes, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and expectations, and certifications of fact contained in the Tax Regulatory Agreement, and (ii) the compliance by the City with the covenants and procedures set forth in the Tax Regulatory Agreement as to such tax matters.

We are further of the opinion that, under existing statutes, interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. We express no opinion regarding any other State or local tax consequences caused by the ownership or disposition of the Notes.

The rights of owners of the Notes and the enforceability of the Notes and the Tax Regulatory Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by application of equitable principles, whether considered at law or in equity.

Very truly yours,

ROBINSON & COLE LLP

**APPENDIX C**

**DISCLOSURE DISSEMINATION AGENT AGREEMENT**

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## **DISCLOSURE DISSEMINATION AGENT AGREEMENT**

### **(Post Rule Amendment)**

This Disclosure Dissemination Agent Agreement (the “Disclosure Agreement”), dated as of September 30, 2009, is executed and delivered by The City of Hartford, Connecticut (the “Issuer”) and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the “Disclosure Dissemination Agent” or “DAC”) for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “Rule”).

**SECTION 1. Definitions.** Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

“Annual Report” means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

“Annual Filing Date” means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the MSRB.

“Annual Financial Information” means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

“Audited Financial Statements” means the financial statements (if any) of the Issuer for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

“Bonds” means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

“Certification” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Voluntary Report or Notice Event notice delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Voluntary Report or Notice Event notice required to be submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Issuer and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

“Disclosure Representative” means the Director of Finance, the senior member of the Issuer or his or her designee, or such other person as the Issuer shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 9 hereof.

“Holder” means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

“Information” means the Annual Financial Information, the Audited Financial Statements (if any) the Notice Event notices, and the Voluntary Reports.

“Notice Event” means an event listed in Sections 4(a) of this Disclosure Agreement.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Official Statement” means that Official Statement prepared by the Issuer in connection with the Bonds, as listed on Appendix A.

“Trustee” means the institution identified as such in the document under which the Bonds were issued.

“Voluntary Report” means the information provided to the Disclosure Dissemination Agent by the Issuer pursuant to Section 7.

## SECTION 2. Provision of Annual Reports.

(a) The Issuer shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy for the Trustee, not later than the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB not later than eight months after the end of each fiscal year of the Issuer, commencing with the fiscal year ending June 30, 2009. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either

(i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification) no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Issuer will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Notice Event as described in Section 4(a)(12) has occurred and to immediately send a notice to the MSRB in substantially the form attached as Exhibit B.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 12:00 noon on the first business day following the Annual Filing Date for the Annual Report, a Notice Event described in Section 4(a)(12) shall have occurred and the Issuer irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B.

(d) If Audited Financial Statements of the Issuer are prepared but not available prior to the Annual Filing Date, the Issuer shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certificate, together with a copy for the Trustee, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

- (i) determine the address of the MSRB each year prior to the Annual Filing Date;
- (ii) upon receipt, promptly file each Annual Report received under Section 2(a) with the MSRB;
- (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;
- (iv) upon receipt, promptly file the text of each disclosure to be made with the MSRB together with a completed copy of the Event Notice Cover Sheet in the form attached as Exhibit C, describing the event by checking the box indicated below when filing pursuant to the Section of this Disclosure Agreement indicated:
  - 1. “Principal and interest payment delinquencies,” pursuant to Sections 4(c) and 4(a)(1);
  - 2. “Non-Payment related defaults,” pursuant to Sections 4(c) and 4(a)(2);
  - 3. “Unscheduled draws on debt service reserves reflecting financial difficulties,” pursuant to Sections 4(c) and 4(a)(3);
  - 4. “Unscheduled draws on credit enhancements reflecting financial difficulties,” pursuant to Sections 4(c) and 4(a)(4);
  - 5. “Substitution of credit or liquidity providers, or their failure to perform,” pursuant to Sections 4(c) and 4(a)(5);

6. “Adverse tax opinions or events affecting the tax-exempt status of the security,” pursuant to Sections 4(c) and 4(a)(6);
7. “Modifications to rights of securities holders,” pursuant to Sections 4(c) and 4(a)(7);
8. “Bond calls,” pursuant to Sections 4(c) and 4(a)(8);
9. “Defeasances,” pursuant to Sections 4(c) and 4(a)(9);
10. “Release, substitution, or sale of property securing repayment of the securities,” pursuant to Sections 4(c) and 4(a)(10);
11. “Ratings changes,” pursuant to Sections 4(c) and 4(a)(11);
12. “Failure to provide annual financial information as required,” pursuant to Section 2(b)(ii) or Section 2(c), together with a completed copy of Exhibit B to this Disclosure Agreement;
13. “Other material event notice (specify),” pursuant to Section 7 of this Agreement, together with the summary description provided by the Disclosure Representative.

- (v) provide the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Issuer may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, Trustee (if any) and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

### SECTION 3. Content of Annual Reports.

(a) Each Annual Report shall contain Annual Financial Information with respect to the Issuer, including the information provided in the Official Statement under the headings: “Debt Sections,” “Financial Section” and “Litigation”.

(b) Audited Financial Statements prepared in accordance with GAAP as described in the Official Statement will be included in the Annual Report. If audited financial statements are not available, then, unaudited financial statements, prepared in accordance with generally accepted accounting principles (“GAAP”) as described in the Official Statement will be included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Issuer is an “obligated person” (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or available on the MSRB Internet Website. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer will clearly identify each such document so incorporated by reference.

Any annual financial information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events, if material, with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements relating to the Bonds reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
7. Modifications to rights of Bond holders;
8. Bond calls;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds;
11. Rating changes on the Bonds;
12. Failure to provide annual financial information as required; and
13. Other material event notice (specify) \_\_\_\_\_.

The Issuer shall promptly notify the Disclosure Dissemination Agent in writing upon the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c). Such notice shall be accompanied with the text of the disclosure that the Issuer desires to make, the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information.

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within five business days of receipt of such notice, instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c), together with the text of the disclosure that the Issuer desires to make,

the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information.

(c) If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB in accordance with Section 2 e (iv) hereof.

**SECTION 5. CUSIP Numbers.** Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, notices of Notice Events, and Voluntary Reports filed pursuant to Section 7(a), the Issuer shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

**SECTION 6. Additional Disclosure Obligations.** The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that the failure of the Disclosure Dissemination Agent to so advise the Issuer shall not constitute a breach by the Disclosure Dissemination Agent of any of its duties and responsibilities under this Disclosure Agreement. The Issuer acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

**SECTION 7. Voluntary Reports.**

(a) The Issuer may instruct the Disclosure Dissemination Agent to file information with the MSRB, from time to time pursuant to a Certification of the Disclosure Representative accompanying such information (a “Voluntary Report”).

(b) Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice, in addition to that required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice.

**SECTION 8. Termination of Reporting Obligation.** The obligations of the Issuer and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Issuer is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The Issuer has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

SECTION 10. Remedies in Event of Default. In the event of a failure of the Issuer or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Issuer's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Issuer has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Issuer at all times.

The obligations of the Issuer under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Issuer.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Issuer and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Issuer or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Issuer. No such amendment shall become effective if the Issuer shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee of the Bonds, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Florida (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of page intentionally left blank.]

The Disclosure Dissemination Agent and the Issuer have caused this Continuing Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,  
as Disclosure Dissemination Agent

By: \_\_\_\_\_  
Name: Paula Stuart  
Title: CEO

CITY OF HARTFORD, CONNECTICUT  
as Issuer

By: \_\_\_\_\_  
Name: Christopher Wolf  
Title: Director of Finance

## EXHIBIT A

### NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer: Hartford, CT  
Obligated Person: Hartford, CT  
Name of Bond Issue: City of Hartford, Connecticut General Obligation Refunding Bonds,  
Series 2009, \$12,150,000  
Dated: September 30, 2009

CUSIP Numbers: 4164145Y2 4164145Z9 4164146A3 4164146B1  
4164146C9 4164146D7 4164146E5 4164146F2  
4164146G0

Name of Issuer: Hartford, CT  
Obligated Person: Hartford, CT  
Name of Bond Issue: City of Hartford, Connecticut General Obligation Bonds, Series  
2009A, \$40,225,000  
Dated: March 10, 2009

CUSIP Numbers: 4164144Q0 4164145L0 4164144R8 4164145M8  
4164144S6 4164145N6 4164144T4 4164145P1  
4164144U1 4164145Q9 4164144V9 4164145R7  
4164144W7 4164145S5 4164144X5 4164145T3  
4164144Y3 4164145U0 4164144Z0 4164145V8  
4164145A4 4164145W6 4164145B2 4164145C0  
4164145J5

Name of Issuer: Hartford, CT  
Obligated Person: Hartford, CT  
Name of Bond Issue: City of Hartford, Connecticut General Obligation Bonds, Series  
2007A, \$70,000,000  
Dated: June 28, 2007

CUSIP Numbers: 4164143V0 4164143W8 4164143X6 4164143Y4  
4164143Z1 4164144A5 4164144B3 4164144C1  
4164144D9 4164144E7 4164144F4 4164144G2  
4164144H0 4164144J6 4164144K3 4164144L1  
4164144M9 4164144N7 4164144P2

Name of Issuer: Hartford, CT  
Obligated Person: Hartford, CT

Name of Bond Issue: City of Hartford, Connecticut General Obligation Bonds, Series 2006, \$70,000,000

Dated: June 22, 2006

CUSIP Numbers: 4164142U3 4164142V1 4164142W9 4164142X7  
4164142Y5 4164142Z2 4164143A6 4164143B4  
4164143C2 4164143D0 4164143E8 4164143F5  
4164143G3 4164143H1 4164143J7 4164143K4  
4164143L2 4164143M0 4164143N8 4164143P3  
4164143Q1 4164143R9 4164143S7 4164143T5  
4164143U2

Name of Issuer: Hartford, CT

Obligated Person: Hartford, CT

Name of Bond Issue: City of Hartford, Connecticut General Obligation Bonds, Series 2005, \$61,810,000 Book-Entry-Only consisting of General Obligation Refunding Bonds, Series 2005C, \$29,510,000 and General Obligation Bonds, Series 2005D, \$32,300,000

Dated: June 1, 2005

CUSIP Numbers: 416414Y53 416414Y61 416414Y79 416414Y87  
416414Y95 416414Z29 416414Z37 416414Z45  
416414Z52 416414Z60 416414Z78 416414Z86  
416414Z94 4164142A7 4164142B5 4164142C3  
4164142D1 4164142E9 4164142F6 4164142G4  
4164142H2 4164142J8 4164142K5 4164142L3  
4164142M1 4164142N9 4164142P4 4164142Q2  
4164142R0 4164142S8 4164142T6

Name of Issuer: Hartford, CT

Obligated Person: Hartford, CT

Name of Bond Issue: City of Hartford, Connecticut General Obligation Refunding Bonds, Series 2005, \$34,340,000 consisting of General Obligation Refunding Bonds, Series 2005A, \$25,160,000 and General Obligation Refunding Bonds, Series 2005B, (Taxable), \$9,180,000

Dated: April 1, 2005

CUSIP Numbers: 416414V98 416414W22 416414W30 416414W48  
416414W55 416414W63 416414W71 416414W89  
416414W97 416414X21 416414X39 416414X47  
416414X54 416414X88 416414Y20 416414Y38  
416414Y46

Name of Issuer: Hartford, CT  
Obligated Person: Hartford, CT  
Name of Bond Issue: City of Hartford, Connecticut General Obligation Bonds, Issue of 2004, \$34,000,000  
Dated: July 15, 2004

CUSIP Numbers: 416414T75 416414T83 416414T91 416414U24  
416414U32 416414U40 416414U57 416414U65  
416414U73 416414U81 416414U99 416414V23  
416414V31 416414V49 416414V56

Name of Issuer: Hartford, CT  
Obligated Person: Hartford, CT  
Name of Bond Issue: City of Hartford, Connecticut General Obligation Bonds, Series 2003, \$30,225,000  
Dated: March 15, 2003

CUSIP Numbers: 416414Q86 416414Q94 416414R28 416414R36  
416414R44 416414R51 416414R69 416414S27  
416414S35 416414S43 416414S50 416414S68  
416414S76 416414S84

Name of Issuer: Hartford, CT  
Obligated Person: Hartford, CT  
Name of Bond Issue: City of Hartford, Connecticut General Obligation Bonds, Series 2001, \$23,000,000  
Dated: May 15, 2001

CUSIP Numbers: 416414N55 416414N63 416414N71 416414N89  
416414N97 416414P20 416414P38 416414P46  
416414P53 416414P61 416414P79 416414P87  
416414P95

Name of Issuer: Hartford, CT  
Obligated Person: Hartford, CT  
Name of Bond Issue: City of Hartford, Connecticut General Obligation Bonds, Series 2000, \$20,000,000  
Dated: June 15, 2000

CUSIP Numbers: 416414L24 416414L32 416414L40 416414L57  
416414L65 416414L73 416414L81 416414L99  
416414M23 416414M31 416414M49 416414M56

Name of Issuer: Hartford, CT  
Obligated Person: Hartford, CT  
Name of Bond Issue: City of Hartford, Connecticut General Obligation Bonds, Series 1998,  
\$28,500,000  
Dated: November 15, 1998

CUSIP Numbers: 416414H86 416414H94 416414J27 416414J35  
416414J43 416414J50 416414J68 416414J76  
416414J84 416414J92

Name of Issuer: Hartford, CT  
Obligated Person: Hartford, CT  
Name of Bond Issue: City of Hartford, Connecticut General Obligation Bonds, Series 1998,  
\$29,300,000  
Dated: January 15, 1998

CUSIP Numbers: 416414F47 416414F54 416414F62 416414F70  
416414F88 416414F96 416414G20 416414G38  
416414G46

Name of Issuer: Hartford, CT  
Obligated Person: Hartford, CT  
Name of Bond Issue: City of Hartford, Connecticut General Obligation Bonds, Series 1996,  
\$25,000,000  
Dated: December 15, 1996

CUSIP Numbers: 416414C73 416414C81 416414C99 416414D23  
416414D31 416414D49 416414D56 416414D64

**EXHIBIT B**

**NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT**

Issuer: City of Hartford, Connecticut

Obligor: City of Hartford, Connecticut

Name of Bond Issue: \_\_\_\_\_

Date of Issuance: \_\_\_\_\_

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Disclosure Agreement, dated as of September 30, 2009, between the Issuer and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Issuer has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

Digital Assurance Certification, L.L.C., as  
Disclosure Dissemination Agent, on behalf of the  
Issuer

\_\_\_\_\_

cc: Issuer  
Obligated Person

**EXHIBIT C**  
**EVENT NOTICE COVER SHEET**

This cover sheet and material event notice will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name:

\_\_\_\_\_

Issuer's Six-Digit CUSIP Number:

\_\_\_\_\_

\_\_\_\_\_

or Nine-Digit CUSIP Number(s) of the bonds to which this material event notice relates:

\_\_\_\_\_

Number of pages of attached: \_\_\_\_\_

\_\_\_\_ Description of Material Event Notice (Check One):

1.  Principal and interest payment delinquencies
2.  Non-Payment related defaults
3.  Unscheduled draws on debt service reserves reflecting financial difficulties
4.  Unscheduled draws on credit enhancements reflecting financial difficulties
5.  Substitution of credit or liquidity providers, or their failure to perform
6.  Adverse tax opinions or events affecting the tax-exempt status of the security
7.  Modifications to rights of securities holders
8.  Bond calls
9.  Defeasances
10.  Release, substitution, or sale of property securing repayment of the securities
11.  Rating changes
12.  Other material event notice (specify) \_\_\_\_\_

\_\_\_\_ Failure to provide annual financial information as required

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

\_\_\_\_\_

\_\_\_\_\_

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Employer: Digital Assurance Certification, L.L.C.

Address: \_\_\_\_\_

City, State, Zip Code: \_\_\_\_\_

Voice Telephone Number: \_\_\_\_\_

## **DISCLOSURE DISSEMINATION AGENT AGREEMENT**

### **(Post Rule Amendment)**

This Disclosure Dissemination Agent Agreement (the “Disclosure Agreement”), dated as of September 30, 2009, is executed and delivered by The City of Hartford, Connecticut (the “Issuer”) and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the “Disclosure Dissemination Agent” or “DAC”) for the benefit of the Holders (hereinafter defined) of the Notes (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Notes in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “Rule”).

**SECTION 1. Definitions.** Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

“Certification” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Voluntary Report or Notice Event notice delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Voluntary Report or Notice Event notice required to be submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Issuer and include the full name of the Notes and the 9-digit CUSIP numbers for all Notes to which the document applies.

“Disclosure Representative” means the Director of Finance, the senior member of the Issuer or his or her designee, or such other person as the Issuer shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 7 hereof.

“Holder” means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Notes (including persons holding Notes through nominees, depositories or other intermediaries) or (b) treated as the owner of any Notes for federal income tax purposes.

“Information” means the Notice Event notices, and the Voluntary Reports.

“Notes” means the Notes as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

“Notice Event” means an event listed in Sections 2(a) of this Disclosure Agreement.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Official Statement” means that Official Statement prepared by the Issuer in connection with the Notes, as listed on Appendix A.

“Trustee” means the institution identified as such in the document under which the Notes were issued.

“Voluntary Report” means the information provided to the Disclosure Dissemination Agent by the Issuer pursuant to Section 5.

## SECTION 2. Reporting of Notice Events.

(a) The occurrence of any of the following events, if material, with respect to the Notes constitutes a Notice Event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements relating to the Notes reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Notes;
7. Modifications to rights of Note holders;
8. Bond calls;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Notes;
11. Rating changes on the Notes;
12. Failure to provide annual financial information as required; and
13. Other material event notice (specify) \_\_\_\_\_.

The Issuer shall promptly notify the Disclosure Dissemination Agent in writing upon the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c). Such notice shall be accompanied with the text

of the disclosure that the Issuer desires to make, the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information.

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within five business days of receipt of such notice, instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c), together with the text of the disclosure that the Issuer desires to make, the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information.

(c) If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in subsection (a) or (b)(ii) of this Section 2 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB.

SECTION 3. CUSIP Numbers. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, notices of Notice Events, and Voluntary Reports filed pursuant to Section 5(a), the Issuer shall indicate the full name of the Notes and the 9-digit CUSIP numbers for the Notes as to which the provided information relates.

SECTION 4. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that the failure of the Disclosure Dissemination Agent to so advise the Issuer shall not constitute a breach by the Disclosure Dissemination Agent of any of its duties and responsibilities under this Disclosure Agreement. The Issuer acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 5. Voluntary Reports.

(a) The Issuer may instruct the Disclosure Dissemination Agent to file information with the MSRB, from time to time pursuant to a Certification of the Disclosure Representative accompanying such information (a “Voluntary Report”).

(b) Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice, in addition to that required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such

information or include it in any future Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice.

SECTION 6. Termination of Reporting Obligation. The obligations of the Issuer and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Notes upon the legal defeasance, prior redemption or payment in full of all of the Notes, when the Issuer is no longer an obligated person with respect to the Notes, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

SECTION 7. Disclosure Dissemination Agent. The Issuer has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Notes. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

SECTION 8. Remedies in Event of Default. In the event of a failure of the Issuer or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Notes or under any other document relating to the Notes, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 9. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Notes or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Issuer's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Issuer has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Issuer at all times.

The obligations of the Issuer under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Notes.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Issuer.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 10. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Issuer and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Notes and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Issuer or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Issuer. No such amendment shall become effective if the Issuer shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee of the Notes, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Notes, and shall create no rights in any other person or entity.

SECTION 12. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Florida (other than with respect to conflicts of laws).

SECTION 13. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

The Disclosure Dissemination Agent and the Issuer have caused this Continuing Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,  
as Disclosure Dissemination Agent

By: \_\_\_\_\_  
Name: Paula Stuart  
Title: CEO

THE CITY OF HARTFORD, CONNECTICUT  
as Issuer

By: \_\_\_\_\_  
Name: Christopher Wolf  
Title: Director of Finance

**EXHIBIT A**

**NAME AND CUSIP NUMBERS OF NOTES**

Name of Issuer: Hartford, CT  
Obligated Person: Hartford, CT  
Name of Bond Issue: City of Hartford, Connecticut General Obligation Bond Anticipation  
Notes, Series 2009B, \$5,000,000  
Dated: September 30, 2009  
  
CUSIP Numbers: 4164146H8

Name of Issuer: Hartford, CT  
Obligated Person: Hartford, CT  
Name of Bond Issue: City of Hartford, Connecticut General Obligation Grant Anticipation  
Notes, Series 2009, \$35,000,000  
Dated: September 30, 2009  
  
CUSIP Numbers: 4164146J4

Name of Issuer: Hartford, CT  
Obligated Person: Hartford, CT  
Name of Bond Issue: City of Hartford, Connecticut General Obligation Bond Anticipation  
Notes, Series 2009A, \$10,000,000  
Dated: April 16, 2009  
  
CUSIP Numbers: 4164145X4

**EXHIBIT B**  
**EVENT NOTICE COVER SHEET**

This cover sheet and material event notice will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name:

\_\_\_\_\_

Issuer's Six-Digit CUSIP Number:

\_\_\_\_\_

\_\_\_\_\_

or Nine-Digit CUSIP Number(s) of the Notes to which this material event notice relates:

\_\_\_\_\_

Number of pages of attached: \_\_\_\_\_

\_\_\_\_ Description of Material Event Notice (Check One):

1.  Principal and interest payment delinquencies
2.  Non-Payment related defaults
3.  Unscheduled draws on debt service reserves reflecting financial difficulties
4.  Unscheduled draws on credit enhancements reflecting financial difficulties
5.  Substitution of credit or liquidity providers, or their failure to perform
6.  Adverse tax opinions or events affecting the tax-exempt status of the security
7.  Modifications to rights of securities holders
8.  Bond calls
9.  Defeasances
10.  Release, substitution, or sale of property securing repayment of the securities
11.  Rating changes
12.  Other material event notice (specify) \_\_\_\_\_

\_\_\_\_ Failure to provide annual financial information as required

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

\_\_\_\_\_

\_\_\_\_\_

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Employer: Digital Assurance Certification, L.L.C.

Address: \_\_\_\_\_

City, State, Zip Code: \_\_\_\_\_

Voice Telephone Number: \_\_\_\_\_

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**APPENDIX D**

**SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY**

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## Financial Guaranty Insurance Policy

Issuer:

Policy No.:

Obligations:

Premium:

Effective Date:

Assured Guaranty Corp., a Maryland corporation ("**Assured Guaranty**"), in consideration of the payment of the Premium and on the terms and subject to the conditions of this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the "**Trustee**") or the paying agent (the "**Paying Agent**") for the Obligations (as set forth in the documentation providing for the issuance of and securing the Obligations) for the benefit of the Holders, that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment.

Assured Guaranty will make such Insured Payments to the Trustee or the Paying Agent on the later to occur of (i) the date applicable principal or interest becomes Due for Payment, or (ii) the Business Day next following the day on which Assured Guaranty shall have Received a completed Notice of Nonpayment. If a Notice of Nonpayment by Assured Guaranty is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and Assured Guaranty shall promptly give notice to the Trustee or the Paying Agent. Upon receipt of such notice, the Trustee or the Paying Agent may submit an amended Notice of Nonpayment. The Trustee or the Paying Agent will disburse the Insured Payments to the Holders only upon receipt by the Trustee or the Paying Agent, in form reasonably satisfactory to it of (i) evidence of the Holder's right to receive such payments, and (ii) evidence, including without limitation any appropriate instruments of assignment, that all of the Holder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Assured Guaranty. Upon and to the extent of such disbursement, Assured Guaranty shall become the Holder of the Obligations, any appurtenant coupon thereto and right to receipt of payment of principal thereof or interest thereon, and shall be fully subrogated to all of the Holder's right, title and interest thereunder, including without limitation the right to receive payments in respect of the Obligations. Payment by Assured Guaranty to the Trustee or the Paying Agent for the benefit of the Holders shall discharge the obligation of Assured Guaranty under this Policy to the extent of such payment.

This Policy is non-cancelable by Assured Guaranty for any reason. The Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment premium or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Assured Guaranty, nor against any risk other than Nonpayment.

Except to the extent expressly modified by any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "**Avoided Payment**" means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. "**Business Day**" means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or Assured Guaranty are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York or in the State of Maryland. "**Due for Payment**" means (i) when referring to the principal of an Obligation, the stated maturity date thereof, or the date on which such Obligation shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and (ii) when referring to interest on an Obligation, the stated date for payment of such interest. "**Holder**" means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations. "**Insured Payments**" means that portion of the principal of and interest on the Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment. Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. "**Nonpayment**" means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term "Nonpayment" in respect of an Obligation includes any Avoided Payment. "**Receipt**" or "**Received**" means actual receipt or notice of or, if notice is given by overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of the person to whom the notice was given. Notices to Assured Guaranty may be mailed by registered mail or personally delivered or telecopied to it at 1325 Avenue of the Americas, New York, New York 10019, Telephone Number: (212) 974-0100, Facsimile Number: (212) 581-3268, Attention: Risk Management Department - Public Finance Surveillance, with a copy to the General Counsel, or to such other address as shall be specified by Assured Guaranty to the Trustee or the Paying Agent in writing. A Notice of Nonpayment will be deemed to be Received by Assured Guaranty on a given Business Day if it is Received prior to 12:00 noon (New York City time) on such Business Day; otherwise it will be deemed Received on the next Business Day. "**Term**" means the period from and including the Effective Date until the earlier of (i) the maturity date for the Obligations, or (ii) the date on which the Issuer has made all payments required to be made on the Obligations.

At any time during the Term of this Policy, Assured Guaranty may appoint a fiscal agent (the "Fiscal Agent") for purposes of this Policy by written notice to the Trustee or the Paying Agent, specifying the name and notice address of such Fiscal Agent. From and after the date of Receipt of such notice by the Trustee or the Paying Agent, copies of all notices and documents required to be delivered to Assured Guaranty pursuant to this Policy shall be delivered simultaneously to the Fiscal Agent and to Assured Guaranty. All payments required to be made by Assured Guaranty under this Policy may be made directly by Assured Guaranty or by the Fiscal Agent on behalf of Assured Guaranty. The Fiscal Agent is the agent of Assured Guaranty only, and the Fiscal Agent shall in no event be liable to the Trustee or the Paying Agent for any acts of the Fiscal Agent or any failure of Assured Guaranty to deposit, or cause to be deposited, sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Assured Guaranty hereby waives, in each case for the benefit of the Holders only, all rights and defenses of any kind (including, without limitation, the defense of fraud in the inducement or in fact or any other circumstance that would have the effect of discharging a surety, guarantor or any other person in law or in equity) that may be available to Assured Guaranty to deny or avoid payment of its obligations under this Policy in accordance with the express provisions hereof. Nothing in this paragraph will be construed (i) to waive, limit or otherwise impair, and Assured Guaranty expressly reserves, Assured Guaranty's rights and remedies, including, without limitation, its right to assert any claim or to pursue recoveries (based on contractual rights, securities law violations, fraud or other causes of action) against any person or entity, in each case, whether directly or acquired as a subrogee, assignee or otherwise, subsequent to making any payment to the Trustee or the Paying Agent, in accordance with the express provisions hereof, and/or (ii) to require payment by Assured Guaranty of any amounts that have been previously paid or that are not otherwise due in accordance with the express provisions of this Policy.

This Policy (which includes each endorsement hereto) sets forth in full the undertaking of Assured Guaranty with respect to the subject matter hereof, and may not be modified, altered or affected by any other agreement or instrument, including, without limitation, any modification thereto or amendment thereof. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, Assured Guaranty has caused this Policy to be affixed with its corporate seal, to be signed by its duly authorized officer, and to become effective and binding upon Assured Guaranty by virtue of such signature.

**ASSURED GUARANTY CORP.**

(SEAL)

By: \_\_\_\_\_  
[Insert Authorized Signatory Name]  
[Insert Authorized Signatory Title]

Signature attested to by:

\_\_\_\_\_  
Counsel